

CANADA MORTGAGE AND HOUSING CORPORATION

SUMMARY OF THE CORPORATE PLAN

2015 - 2019

INCLUDING SUMMARIES OF THE
2015 Operating Budget and the 2015 Capital Budget

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FOREWORD



I am pleased to submit Canada Mortgage and Housing Corporation's (CMHC's) Summary of the 2015-2019 Corporate Plan, which outlines CMHC's direction for the next five years.

Since the Corporation was created in 1946, CMHC has contributed to a stable, competitive and innovative housing system. As a valuable policy instrument for the Government of Canada, CMHC has helped Canadians weather through the storms of the recent financial crisis. At the same time, it continues to help provide affordable housing to lower income Canadians, including seniors, persons with disabilities, and Aboriginal people.

CMHC also provides mortgage loan insurance and securitization guarantee programs. In these fields, we continue to look for ways to effectively reduce taxpayers' exposure to risk in the Canadian housing market.

Finally, CMHC will continue to invest in robust housing market data that will provide all Canadians with information on housing trends and conditions – information they need to make housing-related decisions. In addition to these activities, the Summary outlines how CMHC will seek to remain a prudent and restrained organization in service to Canadians.

A handwritten signature in blue ink, consisting of stylized, overlapping letters that appear to be 'J. L. B.' followed by a horizontal line underneath.

Minister of Employment and Social Development and Democratic Reform
and Minister designated for the purposes of the *Canada Mortgage and
Housing Corporation Act* and the *National Housing Act*

FINANCIAL HIGHLIGHTS

| (in millions, unless otherwise indicated) | 2013 Actual | 2014 Estimate ¹ | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan | 2019 Plan |
|--|----------------|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| CORPORATE RESULTS | | | | | | | |
| Total Assets | 270,051 | 248,354 | 253,611 | 257,916 | 265,425 | 264,186 | 267,794 |
| Total Liabilities | 254,213 | 231,157 | 234,910 | 237,591 | 243,342 | 240,182 | 241,672 |
| Total Equity of Canada | 15,838 | 17,197 | 18,701 | 20,325 | 22,083 | 24,004 | 26,122 |
| Total Revenues | 5,141 | 5,603 | 5,050 | 5,024 | 5,117 | 5,292 | 5,295 |
| Total Expenses (including Income Taxes) | 3,312 | 3,456 | 3,374 | 3,331 | 3,321 | 3,375 | 3,239 |
| Corporate Operating Expense Ratio | 13.7% | 14.4% | 12.8% | 12.4% | 11.7% | 11.5% | 12.0% |
| Net Income | 1,829 | 2,147 | 1,676 | 1,693 | 1,796 | 1,917 | 2,056 |
| ASSISTED HOUSING | | | | | | | |
| Parliamentary appropriations for Housing Programs Expenses | 2,071 | 2,058 | 2,129 | 2,076 | 2,033 | 2,037 | 1,846 |
| Net Income | 91 | 65 | 21 | 20 | 25 | 16 | 12 |
| Total Equity | 192 | 237 | 273 | 317 | 356 | 376 | 393 |
| MORTGAGE LOAN INSURANCE | | | | | | | |
| Insurance-in-Force (\$B) | 557 | 548 | 533 | 515 | 499 | 484 | 471 |
| Total Insured Volumes | 61,053 | 58,450 | 56,607 | 58,296 | 59,646 | 61,223 | 62,756 |
| Premiums and Fees Earned | 1,754 | 1,683 | 1,640 | 1,620 | 1,618 | 1,624 | 1,639 |
| Claims Paid | 436 | 455 | 416 | 345 | 315 | 305 | 309 |
| Insurance Claims Losses | 309 | 322 | 312 | 295 | 287 | 292 | 297 |
| Net Income | 1,507 | 1,885 | 1,458 | 1,440 | 1,473 | 1,511 | 1,563 |
| Loss Ratio (%) | 17.6 | 19.1 | 19.0 | 18.2 | 17.7 | 18.0 | 18.1 |
| Operating Expense Ratio (%) | 12.8 | 14.6 | 15.9 | 17.5 | 18.1 | 18.5 | 18.7 |
| Combined Ratio (%) | 30.4 | 33.7 | 34.9 | 35.7 | 35.8 | 36.5 | 36.8 |
| Severity Ratio (%) | 30.9 | 32.6 | 32.6 | 32.6 | 32.6 | 32.6 | 32.6 |
| Return on Equity (%) | 11.2 | 12.7 | 9.1 | 8.3 | 7.9 | 7.5 | 7.2 |
| Return on Capital Holding Target (%) | 13.7 | 17.3 | 13.5 | 12.8 | 12.8 | 12.7 | 12.7 |
| Capital Available to Minimum Capital Required (% MCT) | 250% | 292% | 311% | 342% | 370% | 393% | 412% |
| SECURITIZATION | | | | | | | |
| Guarantees-in-Force (\$B) | 398 | 434 | 459 | 471 | 486 | 483 | 472 |
| Annual Securities Guaranteed | 122,642 | 120,000 | 120,000 | 116,000 | 116,000 | 116,000 | 116,000 |
| Guarantee and Application Fees Earned | 247 | 237 | 255 | 301 | 376 | 485 | 594 |
| Net Income | 207 | 187 | 194 | 232 | 297 | 387 | 478 |
| Operating Expense Ratio (%) | 10.6 | 12.2 | 13.9 | 11.2 | 8.9 | 6.8 | 5.4 |
| Return on Equity (%) | 15.8 | 12.6 | 11.6 | 12.4 | 13.7 | 15.2 | 15.8 |
| Capital Available to Capital Required (%) | 182 | 149 | 153 | 161 | 170 | 187 | 207 |

- **Total Revenues** for 2014 include significant non-recurring gains from the implementation of changes to the Strategic Asset Allocation (SAA) for the mortgage loan insurance investment portfolio. As these gains are non-recurring, 2015 Total Revenues are expected to be lower than 2014. Compared to 2015, Total Revenues increase by 2019 due to higher investment balances and higher Guarantee and Application Fees Earned under the Securitization Activity. These increases are partially offset by lower forecasted Parliamentary appropriations for Housing Programs Expenses as a result of the expiry of the Investment in Affordable Housing (IAH) funding in March 2019.
- **Total Expenses** are projected to fall over the planning period due to lower Housing Programs Expenses as noted above, partially offset by higher Operating Expenses.
- **Net Income** for 2014 is projected to be \$2,147 million. Over the planning period, Net Income is projected to range between \$1,676 million and \$2,056 million.

¹ Estimate as at mid-year 2014.

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INTRODUCTION

OUR MISSION

We help Canadians meet their housing needs

OUR VISION

The heart of a world-leading housing system

OUR VALUES

Serving the public interest
Achieving business excellence
Building a workplace community

CMHC's 2015-2019 Corporate Plan was approved by the Governor in Council on November 27, 2014. The Summary of the 2015-2019 Corporate Plan has been prepared in accordance with section 125 of the *Financial Administration Act (FAA)* and serves to inform Canadians and Parliamentarians of the major objectives and priorities for the upcoming planning period, and reflects the current directions identified by Government and through internal management processes. In particular, CMHC is embarking on a significant organizational transformation grounded in its mission, vision and core values. CMHC's plan for change encompasses four key ideals: a Focused Role; Enabled People; Efficient Processes; and an Accountable Culture. These ideals serve as a backdrop and will guide CMHC's activities and ensure CMHC is best-positioned to deliver on its 2015-2019 Corporate Plan.

Pursuant to section 153(1) of the FAA, the Summary excludes commercially sensitive information, which if disclosed, would be detrimental to the commercial interests of CMHC.

GOVERNMENT OF CANADA DIRECTION

Economic Action Plan 2014 (Budget 2014)

Budget 2014 outlined measures taken to reinforce the housing finance framework. For 2014, measures specific to CMHC include:

- Effective 1 January 2014, our mortgage loan insurance business was subject to an annual Risk Fee payable to the Government of Canada;
- The reduction we introduced to our annual limit of issuance of portfolio insurance from \$11 billion to \$9 billion; and
- The authorization to provide in 2014, guarantees to a maximum of \$80 billion in new issuance under the National Housing Act Mortgage-Backed Securities (NHA MBS) program and to a maximum of \$40 billion of new issuance under the Canada Mortgage Bonds (CMB) program.

Operating Budget Freeze

The Government of Canada has instituted a two-year freeze on operating budgets relating to appropriations-based activities of federal departments and Crown corporations. This applies to Assisted Housing and the portion of Market Analysis and Research that is funded through appropriations. The budget freeze does not apply to our Mortgage Loan Insurance and Securitization Activities which do not receive Parliamentary appropriations; however, we are also expected to respect the spirit and intent of the freeze for our commercial operations.

For 2014 and 2015, CMHC's operating budget is at or below the budget freeze level of the 2013 Plan. In addition, operating expenses related to appropriations are also below the 2013 Plan level.

Pension Plan

The Government of Canada is moving to a 50/50 cost-sharing arrangement between employer and employee pension contributions by 2017. CMHC has taken steps to ensure the long-term sustainability of our pension plan and to manage costs. Our pension plan now has two components: a defined benefit component and a defined contribution component. For the defined benefit component, steps have been taken to achieve a 50/50 cost-sharing arrangement by 2017. The defined contribution component came into effect on 4 April 2013 for all new hires.

Limit on NHA MBS and CMB

The limit on new guarantees of NHA MBS and CMB and other terms and conditions for CMHC's securitization guarantee activities, which need to be approved by the Minister of Finance under the Section 14 of the NHA, are important oversight mechanisms to manage housing market risks and the Government's exposure to the housing sector. For 2015, the Minister of Finance has approved limits on new NHA MBS and CMB guarantees of \$80 billion and \$40 billion, respectively.

OSFI Guideline B-21

On 6 November 2014, following public consultations, the Office of the Superintendent of Financial Institutions (OSFI) released *Guideline B-21 Residential Mortgage Insurance Underwriting Practices and Procedures*. This Guideline, to be implemented by insurers by June 30, 2015, sets out principles in support of sound mortgage insurance underwriting. CMHC does not anticipate any significant changes to its current operations as a result of this Guideline.

OSFI Minimum Capital Test (MCT)

An Interim 2015 Minimum Capital Test (MCT) for federally regulated mortgage loan insurance companies was published on 24 September 2014, to come into effect on 1 January 2015, and will apply until the new capital guideline for mortgage insurance companies is completed. All other things being equal, we expect that the changes would cause our actual MCT ratio to decline on 1 January 2015 largely as a result of a one-third increase in the capital charge (from 15.0% to 20.0%) for equity holdings, higher interest rate risk charges in the fixed income portfolio that disadvantages longer durations, and specific capital requirements for operational risk.

RISK MANAGEMENT

Overview

In carrying out our Activities, we are responsible to manage the public resources entrusted to our care and to implement prudent risk management practices with due regard for loss. CMHC is exposed to a variety of risks in our operating environment that could have an impact on the achievement of our objectives. The ability to respond appropriately and effectively to both expected and unanticipated events is critical to our success. CMHC's Board of Directors and Management are responsible for defining, establishing and reinforcing an appropriate risk culture and efficient internal control process. In addition, CMHC complies with the Minister of Finance Financial Risk Management Guidelines for Crown Corporations.

Risk Framework

Risk Management Policies

Risk management is an integral part of our decision making and principal risks and opportunities are systematically identified and managed. Comprehensive Enterprise Risk Management (ERM) policies guide our Activities and encourage a risk-aware culture through discussion, evaluation and management of risks across the organization.

Risk Appetite Framework

CMHC has initiated work to enhance our Risk Appetite Framework. The current framework components include:

Risk Capacity Statement

As a federal Crown Corporation, CMHC's risk capacity is determined by our legislated limits as reflected in the *National Housing Act* (NHA), which includes the limit on outstanding insured amounts of \$600 billion, subject to regulations regarding the classes of eligible housing loans that can be insured, and the limit on outstanding guaranteed amounts of principal of \$600 billion, subject to the terms and conditions approved by the Minister of Finance.

In addition, we are responsible for promoting the stability of the Canadian housing system, which contributes to the stability of the Canadian financial system. We therefore accept a responsibility to manage certain strategic, operational and financial risks. In managing these risks, we further limit our risk capacity by:

1. Actively managing risks we are uniquely able to accept and affect;
2. Eliminating risks we cannot control wherever cost effective, whether via outsourcing or hedging activities;
3. Mitigating inherent and residual risks; and
4. Establishing risk appetite principles and statements.

Risk Appetite Principles

CMHC has three Risk Appetite Principles to help all employees understand their role in managing risk at CMHC. In applying the Principles, employees are expected to consider both the current operating conditions and the potential impact of new and emerging risks on CMHC's strategies and risk profile.

Principle 1: We will manage risks to ensure they advance the delivery of our mission to help Canadians meet their housing needs.

Principle 2: We will manage risks to ensure that they do not expose the Corporation to undue financial loss.

Principle 3: We will manage risks to ensure that they do not unduly jeopardize the Corporation's reputation.

Corporate Risk Appetite Statement

CMHC is exposed to a variety of risks as we strive to achieve the objectives set out in our Corporate Plan. CMHC's corporate level risk appetite statement describes the level at which risks should be avoided and where strategies must be implemented to manage risk.

We will:

- Manage risks appropriate to the delivery of our mission to help Canadians meet their housing needs, with due regard for loss;
- Comply with all applicable statutory and regulatory requirements, including the annual approval of Parliamentary appropriations and our Corporate Plan;
- Maintain capital and liquidity levels in insurance and securitization to adequately survive significant financial and other crises;
- Take appropriate risks in order to explore innovative opportunities which could lead to new processes or improvements to existing processes, and to new products or policy development to help meet our mandate; and
- Maintain sufficient operational capabilities to be able to provide access to services for Canadians in all regions of Canada and to be able to promote and contribute to the stability of the financial system.

In addition, during our five-year corporate planning horizon, we want a very high level of confidence that:

- All Housing Programs funded by the Government of Canada will be spent in accordance with approved program parameters and appropriations will not be under spent by more than a specified percentage net of the risk provision. Overspending of Parliamentary appropriations will not occur;
- Long-run Return on Capital for insurance will not drop by more than a specified percentage from the latest Board approved targets;
- Available Capital held for securitization will not decline by more than a specified percentage;
- Lending will not incur losses of income which will reduce the Reserve Fund to a negative amount; and
- Operating expenses shall not exceed the approved operating budget by more than a specified percentage.

It is unacceptable to us that we would experience a significant negative impact to our reputation or to our ability to achieve key objectives in the Corporate Plan.

Risk Categories

CMHC's ERM framework consists of 14 risks grouped under three broad categories: strategic, operational and financial risks as follows:



Managing Risk

A "Three Lines of Defence" risk governance model was established at CMHC in 2014 and forms the foundation for promoting an enhanced risk culture at CMHC:

- As the first line of defence, business areas and functional management are primarily responsible for the identification, assessment and management of risks and for establishing specific internal control policies, processes and procedures;
- As the second line of defence, the offices of the Chief Financial Officer; the Chief Risk Officer; and the Senior Vice-President, General Counsel and Corporate Secretary, provide independent oversight and review of business and operational activities, thereby providing additional assurance that business areas are appropriately managing risk; and
- As the third line of defence, Internal Audit is responsible for providing independent assurance and assessing the effectiveness of risk management, control and governance processes.

CMHC has created a new organizational division dedicated to our Own Risk and Solvency Assessment (ORSA) as well as to providing the Board with a report assessing the Corporation's risks, capital needs and solvency position. The 2015-2019 Corporate Plan reflects changes arising out of the implementation of ORSA, such as:

1. An enhanced risk appetite framework;
2. Scenario simulation for our Mortgage Loan Insurance Activity; and
3. A number of specific stress scenario assessments, including a Corporate-wide adverse economic/interest rate shock.

Reporting on Risk

The Corporation has structured processes which ensure that regular reporting on risk occurs, including annual review and approval of ERM policies; semi-annual ERM Risk Register; Risk Appetite Statement Reports and Quarterly Risk Management Reports.

2015-2019 PERFORMANCE PLANNING AND REPORTING

Corporate Performance Framework

Objectives

1 Contribute to a stable, competitive and innovative housing system

2 Facilitate access to affordable and suitable housing

Mission

We help Canadians meet their housing needs

Vision

The heart of a world-leading housing system

Values

Serving the Public Interest
Achieving Business Excellence
Building a Workplace Community

Activities

Market Analysis and Research

Provide objective information and advice in order to support informed decision making

Assisted Housing

Work with stakeholders to provide affordable housing to Canadians in need, on and off reserve

Mortgage Loan Insurance

Provide mortgage loan insurance to enable Canadians to access financing for a range of housing options that meet their needs

Securitization

Facilitate access to funds for mortgage financing through securitization guarantee products and administration of the legal framework for Canadians covered bonds

People and Processes

Facilitate the achievement of Corporate objectives

Priorities and Initiatives

CMHC will be recognized as the authority on housing in Canada through its research and market analysis

page 9

Enhance the effectiveness and efficiency of federal support in housing to help lower income Canadians living on and off reserve meet their housing needs

page 11

Enhance and improve business operations in response to the changing environment

page 15

Reduce taxpayer exposure to the housing sector while promoting financial system stability and competition, and ensuring access to funds for mortgage financing covering a wide range of housing types and tenures in all parts of the country

*page 15 (Mortgage Loan Insurance)
page 20 (Securitization)*

Transform CMHC to ensure the Corporation can take advantage of the opportunities and meet the challenges it faces

page 24

Transform the way we operate by investing in technology that meets the evolving needs of our business and helps us work together

page 25

Initiatives that CMHC plans to undertake in support of each Priority are outlined on the pages referenced above.

Outcomes*

1 Canada has a stable, competitive and innovative housing system

2 Canadians in need have access to affordable and suitable housing

*Refer to Annex C - Expected Outcomes for immediate and longer-term outcomes and indicators in support of these ultimate outcomes.

Market Analysis and Research

Overview of Activity

CMHC's market analysis and research activities support informed decision making within the housing and housing finance sectors through the creation, interpretation and sharing of related data and information. These activities also support CMHC's role as advisor to the Government of Canada on matters concerning housing policy. CMHC receives Parliamentary appropriations to partially fund these activities.

The Market Analysis and Research Activity is comprised of the following:

- **Market analysis** consisting of surveys, data analysis and forecasting at the local, provincial and national levels, to support the housing and housing finance sectors, stakeholders and policy makers having access to timely and relevant information;
- **Research and information** on a range of issues that support a well-functioning Canadian housing system and promote housing affordability and choice consisting of: data development; acquisition and analysis; research on meeting the needs of vulnerable Canadians; and improving Canadian housing; and
- **Policy advice and guidance**, which supports government decision making.

Issues for the Planning Period

Increasingly, stakeholders are requesting more varied and comprehensive information on housing markets and the housing finance system. There is concern with respect to issues such as overvaluation and over-building in certain markets; the level of household debt and the impact of foreign investments have captured significant media attention. Given the importance of housing to the economy, the stability of the financial system, and to Canadians, CMHC plays a central role as Canada's authority on housing in meeting these needs for housing-related information.

The Canadian housing industry includes many small private sector firms, non-profits and co-operative groups with limited or no capacity to undertake research and development activities and with little willingness to assume the risk associated with unproven innovations. In addition, there may be limited, if any, return on investment in some areas where there are knowledge gaps. In this context, there is a need to fund priority research where CMHC can add unique value that meets the needs of the housing industry.

CMHC will continue to provide high-quality policy advice to Government.

Priority for 2015-2019

CMHC will be recognized as the authority on housing in Canada through its research and market analysis

Initiatives

- Refocus CMHC's research activities on areas where the Corporation is best positioned to contribute to a well-functioning Canadian housing system and to promote housing affordability and choice.
- Increase the breadth and enhance the usefulness of data and analysis that is publicly available on housing, with an initial focus on housing markets and housing finance.
- Improve the timely release of CMHC's housing-related data, analysis and information and better target information sharing activities to priority audiences.

Key Performance Indicators

The following KPIs represent how we will assess the effectiveness and efficiency of our Market Analysis and Research Activity, including the Priorities laid out in this Plan:

| Indicators | Target |
|--|---|
| Usefulness of market analysis and research information | 85.0% |
| Ranking of housing starts forecast accuracy among forecasters | Rank within the top quartile |
| Full expenditure of grants and contribution budget for research and information transfer for 2015-16 | 100% expenditure of 2015-16 authority level |
| Forecast accuracy for housing starts | Within 10.0% of actual |

Assisted Housing

Overview of Activity

CMHC works with stakeholders to fund housing programs for Canadians in need, on and off reserve.

Assistance and Support

CMHC's Assisted Housing Activity provides:

- Financial assistance for existing social housing both off and on reserve;
- Funding for affordable housing delivered through partnerships with provinces and territories;
- Support for the creation of affordable housing through Seed Funding, Proposal Development Funding and mortgage loan insurance underwriting flexibilities and information and advice;
- Assistance for new construction, renovation and repairs on reserve; and
- Support for Aboriginal capacity building.

Lending Programs

CMHC lending programs include the Direct Lending initiative under which CMHC provides loans to sponsors of existing social housing projects when their existing mortgages come to term. These projects are subsidized by the federal government and often times, other levels of government, under long-term operating agreements. Because CMHC obtains funds for these loans through the Crown Borrowing Program (CBP), loans to sponsors can be offered at lower than market rates thus reducing loan repayment costs that are covered by subsidies. Social housing sponsors include non-profit groups, First Nations, provinces, territories and municipalities. Loans are also provided for new commitments under the On-Reserve Housing Program. Lending programs include loans previously made under the Municipal Infrastructure Lending Program (MILP). All of CMHC's lending programs are operated on a breakeven basis over the long term.

Housing Programs

We receive Parliamentary appropriations to fund our Housing Programs. Housing Programs operate on a breakeven basis as appropriations equal expenditures each year. In 2015, CMHC will spend \$2.13 billion in Parliamentary appropriations to administer initiatives on behalf of the federal government, of which \$42 million will be used to fund Market Analysis and Research activities. The majority of the funding in Housing Programs helps low-income Canadians access affordable housing. Of the \$2.13 billion, approximately \$1.7 billion is spent by CMHC to support households living in existing social housing. Funding is also provided for new commitments under the On-Reserve Housing Program and renovation and capacity development programs on reserve, as well for affordable housing developed under the Investment in Affordable Housing (IAH). The IAH is funded in partnership with provinces and territories, which are responsible for designing and delivering programs to meet their local housing needs and priorities, and for reporting on outcomes to their citizens including actions taken to support the use of apprentices. Federal contributions over five years, from 2014 to 2019, will amount to \$1.25 billion.

Issues for the Planning Period

Stakeholders are calling upon the federal government to commit funding to keep existing social housing affordable beyond the end of operating agreements and to address capital needs. The majority of these long-term agreements committed prior to 1993 are scheduled to mature when the mortgages are paid off between 2015 and 2025, with all of them maturing by 2038. Many projects will be able to continue providing affordable housing to lower income households once their mortgages are paid off and federal subsidies end. For those projects that need additional assistance after agreements mature, funding may be available through the IAH. For projects with operating agreements under federal administration, CMHC is actively working with the housing providers to help them prepare for the end of agreements. For example, CMHC is assisting them to enhance project performance, focussing on effective maintenance and capital planning practices.

Aboriginal households face tremendous challenges in addressing adequate housing. These include a lack of community infrastructure, low incomes and unemployment, remoteness and harsh climate conditions, high costs of construction and maintenance, and legal barriers to homeownership on reserves. A limited supply of affordable housing results in unhealthy, overcrowded conditions and accelerates depreciation of the housing stock. As a result, housing conditions for many Aboriginal households lag substantially behind those of the Canadian population in general. To improve First Nations' management of their CMHC-funded social housing stock on reserve, CMHC has undertaken detailed assessments of social housing performance for each First Nation. Feedback on CMHC's expectations was provided to key decision makers including Chief and Council. CMHC is working with First Nations to develop and implement action plans aimed at addressing deficiencies. CMHC has targeted training and capacity development to assist First Nations to make improvements in areas identified.

The ongoing National Strategy to Address Mould in First Nations Communities is a collaborative effort with CMHC, Aboriginal Affairs and Northern Development Canada (AANDC), Health Canada, and First Nations organizations to develop initiatives to help in the prevention and remediation of mould, and improve housing quality. As part of its capacity building activities, CMHC has developed and published mould remediation case studies on its website, delivered mould-related training, and distributed thousands of information products on mould prevention and remediation to First Nations. In addition, a self-assessment tool was developed to help First Nations assess the mould situation in their communities.

Priority for 2015-2019

Enhance the effectiveness and efficiency of federal support in housing to help lower income Canadians living on and off reserve meet their housing needs

Initiatives

- Create and implement solutions that maximize the delivery of affordable housing on and off reserve within budget authorities.
- Improve the performance of the existing social housing stock.
- Operate lending initiatives in an efficient and sustainable manner.
- Enhance the effectiveness of products and services that are available in support of our Housing Programs.
- In collaboration with AANDC, develop and implement measures aligned with Government direction that will improve the capacity of First Nations to address their housing needs.

Key Performance Indicators

The following KPIs represent how we will assess the effectiveness and efficiency of our Assisted Housing Activity, including the Priorities laid out in this Plan:

| Indicators | Target |
|---|--|
| Initiative(s) created and implemented to maximize housing delivery on and off reserve | Complete 2 initiatives (e.g. review delivery and allocation methods, etc.) |
| % reduction in the higher risk projects in CMHC managed portfolio | 2.0% |
| Working with AANDC, measures are developed and implemented to improve the capacity of First Nations | Co-ordinated AANDC and CMHC capacity development plans are in place Undertake 1 joint initiative with AANDC |
| Housing Programs expenditures for Assisted Housing for 2015-2016 | \$1,864M |
| Affordable housing units facilitated by the Affordable Housing Centre in 2015 | 3,100 |
| New units committed under the On-Reserve Non-Profit Housing Program in 2015-2016 | 529 |
| Direct Lending (\$M) – subsequent renewals in 2015 | \$929 |
| Take-up of products and services | 15.0% increase in web visits to Assisted Housing content from 2014 actual (327,312 actual web visits in 2013) |

Capital Management

Capital for lending programs is comprised of Retained Earnings and the Reserve Fund. CMHC maintains a Reserve Fund pursuant to section 29 of the CMHC Act with a statutory limit of \$240 million. The purpose of the Fund is to retain profits to cover future losses that otherwise the Government would need to cover. The estimated amount in the Reserve Fund for 2015 is \$161 million. With the Government's approval of the 2015-2019 Corporate Plan, Unrealized Gains and Losses related to lending activities will be accounted for in Retained Earnings rather than in the Reserve Fund.

Total Equity for Assisted Housing includes Available Capital for the lending programs and Contributed Capital. The following table presents the components of Total Equity over the planning period:

| (in millions) | 2013 Actual | 2014 Estimate | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan | 2019 Plan |
|---------------------|-------------|---------------|-----------|-----------|-----------|-----------|-----------|
| Retained Earnings | 15 | 56 | 87 | 129 | 150 | 170 | 189 |
| Reserve Fund | 152 | 156 | 161 | 163 | 181 | 181 | 179 |
| Available Capital | 167 | 212 | 248 | 292 | 331 | 351 | 368 |
| Contributed Capital | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Total Equity | 192 | 237 | 273 | 317 | 356 | 376 | 393 |

Investment Plan

Performance

Investments arise as a result of CMHC's lending programs. To the extent the timing of funding of loans and payment of borrowings are mismatched, CMHC invests principal repayments in high quality fixed income and money market instruments, currently with a minimum rating of A, taking into consideration the Corporation's risk appetite statement and business activities.

Investments under management had a market value of \$2 billion as at 30 June 2014 (\$1.8 billion as at 30 June 2013). It is expected that over the planning period, the market value of the investments under management will be within \$1.9 billion to \$2.5 billion.

Mortgage Loan Insurance

CMHC provides mortgage loan insurance to enable Canadians to access financing for a range of housing options that meet their needs.

Overview of Activity

CMHC mortgage loan insurance is a key policy instrument of the federal government. Our focused mission acknowledges the value of private sector competition, balanced with the benefits that a resilient public mortgage loan insurer brings to the system, particularly in times of economic uncertainty. CMHC provides transactional homeowner, portfolio and multi-unit residential mortgage loan insurance in all parts of Canada, including in areas or markets not served or under-served by private mortgage insurers. CMHC's presence is a source of confidence in Canadian housing finance markets. In carrying out its Mortgage Loan Insurance Activity, CMHC has a mandate to promote the efficient functioning and competitiveness of the housing finance market, and the stability of the financial system.

Additional information on CMHC's insured portfolio can be found in CMHC's 2014 Third Quarter Financial Report and Mortgage Loan Insurance Business Supplement available on CMHC's website at www.cmhc.ca.

Commercialized Operation

CMHC's Mortgage Loan Insurance Activity operates on a commercial basis. Revenue from premiums, fees and investments cover all expenses, including insurance claims losses, and the Corporation is expected to generate a reasonable return for the Government of Canada, with due regard for loss. CMHC does not receive funding from the Government of Canada for this Activity.

Products

- **Transactional Homeowner** – insurance against borrower default for loans secured by residential properties of 4 or fewer units at the time the loan is originated, the cost of which is usually passed on to the borrower. This is comprised of:
 - **High ratio homeowner loans** – the borrower has less than a 20% down payment at origination and the unit (or one of the units in the case of a 2-4 unit property) must be owner-occupied. Mortgage loan insurance on these loans is a legislative requirement for federally regulated lenders and for most provincially regulated lenders.
 - **Low ratio homeowner loans** – not a legislative requirement, where the borrower has a down payment of 20% or more at origination on units that can be owner-occupied or non-owner occupied (i.e., rental units).
- **Portfolio** – insurance against borrower default for pools of low ratio mortgages that are under repayment and secured by residential properties of 4 or fewer units. Unlike Transactional Homeowner Insurance, premiums are not passed on to the borrower.
- **Multi-unit Residential** – insurance provided exclusively by CMHC in the marketplace against borrower default on loans for the construction, purchase and refinancing of multi-unit residential properties consisting of 5 or more units. These properties include rental buildings, licensed care facilities, retirement homes, affordable housing projects and purpose-built student housing.

Issues for the Planning Period

CMHC's fundamental mortgage loan insurance objectives are to support access to housing finance for a wide range of housing types and tenures, in all parts of Canada, throughout economic cycles, and to promote and contribute to financial stability. CMHC needs to ensure that its Mortgage Loan Insurance Activity continues to serve these objectives by offering products and policies that are directed to needs (rather than aspirations), taking on reasonable risks and having appropriate pricing regimes.

Budget 2014 re-emphasized the Government's direction established in previous budgets to restrain the growth of mortgage loan insurance in order to reduce taxpayer exposure without compromising the availability of reasonably priced mortgages. In managing the federal government's housing market risk, we will continue to work with government and industry to adjust our policies and practices as appropriate, as well as our overall positioning in the marketplace.

As part of our public policy mandate, CMHC's role is to contribute to safeguarding Canada's housing finance system and to be ready to take on a more prominent role in times of economic duress. CMHC needs to be of a sufficient size, and maintain operational and product breadth to enable it to scale up in support of financial stability if required. In addition, as the public mortgage insurer with a mandate to serve markets or areas that are not well-served or not served by the private sector, CMHC needs to have strategies and approaches that ensure its insurance portfolio is adequately diverse and balanced.

Economic Action Plan 2013 announced that the Government will implement changes to limit the use of portfolio insurance and prohibit the use of any government-backed insured mortgage as collateral in securitization vehicles that are not sponsored by Canada Mortgage and Housing Corporation. We will align our processes and procedures with the regulations once they are published.

Mortgage Loan Insurance Pricing

Mortgage loan insurance pricing is reviewed annually and adjusted as necessary to ensure a reasonable long-term rate of return on capital (RoC). CMHC monitors its RoC on a quarterly basis in the context of its mandate to operate in a competitive environment.

The annual pricing review is based on:

- the appropriate levels of capital and RoC that CMHC should be targeting in the current business environment;
- long-term assumptions derived primarily from CMHC's annual actuarial valuation; and
- expenses (such as the Government of Canada Risk Fee) and investment returns, which are based on CMHC's Strategic Asset Allocation targets and Corporate Plan forecasts.

As a result of its pricing review for 2014, effective 1 January 2014, CMHC adjusted our Portfolio insurance risk-based premium pricing to cover increased costs and capital requirements, while remaining consistent with market prices. The revised pricing also accounted for the elimination of a feature allowing new loans to be substituted into existing Portfolio insured pools. On 28 February 2014, CMHC also announced an average increase to its Transactional Homeowner premiums of approximately 15.0% effective 1 May 2014.

Priorities for 2015-2019

Reduce taxpayer exposure to the housing sector while promoting financial system stability and competition, and ensuring access to funds for mortgage financing covering a wide range of housing types and tenures, in all parts of the country

Initiatives

- Continue to assess the feasibility of possible changes to the housing finance system, including ways to encourage the use of more private sector capital while maintaining financial system stability.

Enhance and improve business operations in response to the changing environment

Initiatives

- Continue to review and modify product offerings to align with a more focused role, including clearer articulation to lender clients of CMHC's role and competitive positioning in the marketplace.
- Enhance analytical capabilities and information systems to better analyze risk being taken and to increase CMHC's level of disclosure.
- Enhance internal business oversight and instill a consistent risk culture, including the implementation of a more robust first line of defence within the corporate-wide direction of having a "Three Lines of Defence" risk governance model.
- Explore broad organizational changes to streamline and rationalize insurance resources in support of increased efficiency and effectiveness.
- Re-engineer default management and claims processes and procedures to be more effective and efficient.

Key Performance Indicators

The following key performance indicators are designed to measure success in achieving CMHC's overall priority for mortgage loan insurance of reducing exposure while maintaining stability, competition and access to housing finance.

| Indicators | Target |
|--|--|
| Options developed for reducing taxpayer exposure | Analysis and recommendations developed |
| Insurance Claims Losses | \$312 M |
| Operating Expense Ratio | 15.9% |
| Combined Ratio | 34.9% |
| Net Income | \$1,458 M |
| Severity Ratio | 32.6% |
| Insurance-in-Force | \$533 B |

Capital Management

CMHC's Capital Management Framework follows guidelines as set out by OSFI. Under capital guidelines applicable to mortgage insurers in Canada, CMHC calculates the ratio of capital available to the minimum capital required by OSFI. This is referred to as the Minimum Capital Test (MCT).

Under its Capital Management Framework, CMHC, as part of its Corporate Planning process, annually validates both its Internal Capital Target and its Capital Holding Target (Holding Level).

The Internal Capital Target is calibrated using specified confidence intervals and is designed to provide management with an early indication of the need to resolve financial problems. As a result of this year's validation process, the Internal Capital Target has been set at 205% (2013 – 185%) of the regulatory Minimum Base Required Capital (Minimum Capital).

CMHC operates at Available Capital levels above the Internal Capital Target on all but unusual and infrequent occasions. Accordingly, CMHC has established a Holding Level in excess of the Internal Capital Target. The Holding Level is calibrated using confidence intervals and is designed to provide management with adequate time to resolve financial problems before Available Capital decreases below the Internal Capital Target. As a result of this year's validation process, the Holding Level has been set at 220% (2013 – 200%) of the Minimum Capital required.

Under its Stress Testing Framework, the Board of Directors annually approves the CMHC Stress Testing Program which includes sensitivity testing, solvency testing, stress (reverse stress) testing, and a number of deterministic scenarios. The results of the stress testing program support the new target capital levels.

The economic factors with the largest impact on the financial condition of the Mortgage Loan Insurance Activity are house prices, unemployment rates and interest rates, in that order. It is highly unlikely that any one of these factors in isolation would trigger liabilities to exceed assets. The combination of rising unemployment rates, rising interest rates and declining house prices leading to liabilities exceeding assets would have to reach levels far outside historical experience and also occur over an extended period of time, allowing for CMHC to take mitigating actions to limit their impact on the Mortgage Loan Insurance Activity. The declines in Available Capital would exceed the requirements of CMHC's risk appetite statement early in the period and generate changes in underwriting, products or pricing to offset the economic impact.

The following table shows the anticipated Capital Available to Minimum Capital Required for the planning period.

| (in millions, unless otherwise indicated) | 2013 Actual ¹ | 2014 Estimate ¹ | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan | 2019 Plan |
|--|--------------------------|----------------------------|-----------|-----------|-----------|-----------|-----------|
| Unappropriated Retained Earnings | 2,823 | 3,761 | 4,885 | 6,403 | 7,808 | 9,124 | 10,402 |
| Appropriated Capital | 11,493 | 11,661 | 11,783 | 11,584 | 11,570 | 11,726 | 12,017 |
| Total Equity | 14,316 | 15,422 | 16,668 | 17,987 | 19,378 | 20,850 | 22,419 |
| Capital Available to Minimum Capital Required (100.0% MCT) | 250% | 292% | 311% | 342% | 370% | 393% | 412% |
| CMHC's Internal Capital Target (% MCT) | 185% | 205% | 205% | 205% | 205% | 205% | 205% |
| CMHC's Capital Holding Target (% MCT) | 200% | 220% | 220% | 220% | 220% | 220% | 220% |

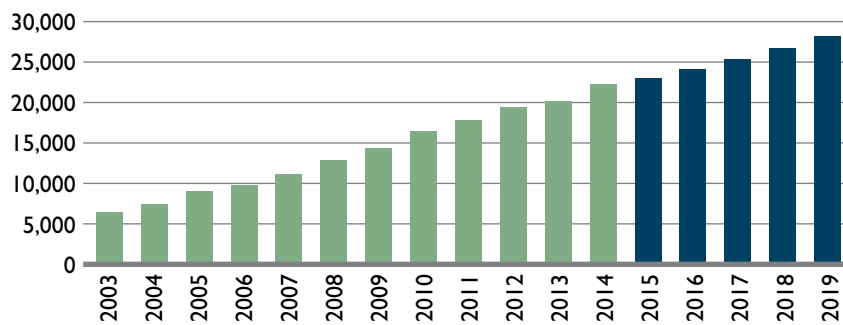
¹ 2013 and 2014 calculated under the 2013 MCT guideline. 2015 forward calculated under the new customized 2015 MCT guideline for Mortgage Insurers.

Investment Plan

Performance

Investments under management had a market value of \$22,286 million as at 30 June 2014¹. As shown in the following figure, the size of the mortgage loan insurance investment portfolio has grown significantly over the last few years and this trend is expected to continue.

Actual and Projected Investments (\$ Millions)



The money available for investment is primarily generated from the net cash flow of premiums and application fees and interest received net of claims and expenses paid. In 2015, net new funds from mortgage loan insurance operations are expected to total \$926 million.

As at 30 June 2014, year-to-date returns for the consolidated mortgage loan insurance portfolio was 5.52%, compared to a consolidated index return of 5.56%.

Performance information is tracked and monitored over short- and long-term time horizons, and

includes return and risk measures, both absolute and relative to benchmarks. The diversification of the consolidated portfolios across different asset classes has resulted in lower volatility of returns and value-at-risk. The risk levels of the individual asset classes are very close to their respective benchmarks.

Investment Outlook and Projected Returns

A strategic asset allocation policy review of the investment portfolio was completed in 2014. It will result in the reduction of equity investments, an increase in fixed income investments bringing the total to a minimum 90.0% allocation, and a shorter duration more closely matching the duration of the liabilities. Furthermore, the management of the fixed income portfolio (investment grade) will focus on book yield. The following table provides the projected average annual returns for each of the asset classes that comprise the strategic asset allocation policy of the investment portfolios. The forward-looking asset class returns are assumptions prepared by the investment management consulting firm, Towers Watson, based on consensus assumptions for future expectations using 1 April 2014 initial conditions. These returns are total returns, including both income and price returns. Based on the returns provided and the strategic asset allocation policy, which is predominantly fixed income, the projected annual average total return of the mortgage loan insurance portfolio is shown below.

| Asset Class Returns (%) | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------------------|------------|------------|------------|------------|------------|
| Money Market | 1.5 | 1.9 | 2.2 | 2.4 | 2.6 |
| Fixed Income ² | 1.9 | 2.3 | 2.7 | 3.1 | 3.4 |
| Equities | 7.6 | 7.6 | 7.6 | 7.6 | 7.6 |
| Real Estate | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 |
| Infrastructure Investments | 7.3 | 7.3 | 7.3 | 7.3 | 7.3 |
| Projected Annual Total Returns | 2.4 | 2.8 | 3.2 | 3.5 | 3.8 |

Actual returns may be significantly different than projections. A 50 basis point difference in return of the portfolio has approximately a \$100 million dollar impact on total return.

¹ The investments under management exclude investments related to repo activity.

² Projection of total return of the FTSE TMX Canada Universe Bond Index, which includes investment grade securities.

The money market and fixed-income strategies will focus on risk-adjusted book yield, taking into consideration such things as interest rate risks versus the liabilities, credit risk and cash flow requirements. Due to the significance of fixed-income instruments in its asset mix, we supplement our analysis of credit risk at the instrument level by evaluating the overall quality of its credit portfolios. By adapting a methodology from a major rating agency to our internal ratings, the analysis illustrated in the table below addresses the level of protection which our fixed-income portfolios and sub-portfolios provide against losses from credit defaults.

| Credit Quality Ratings | (%) | Average Rating |
|---|------------|----------------|
| Mortgage Loan Insurance Portfolio (F.I.) | 100 | A+ |
| Canada and Sovereigns | 28.2 | Strong AAA |
| Provinces and Municipalities | 36.1 | Strong A+ |
| Corporate | 30.7 | A- |
| Money Market | 5.1 | Strong AAA |

While the portfolio will be a minimum 90.0% fixed income, up to a 10.0% allocation will be permitted in equities and alternative investments.

Equities, real estate and infrastructure will be managed on a risk-adjusted basis. Securities will be selected on the expectation that they will be able to provide a better risk-adjusted return relative to fixed income.

Securitization

CMHC facilitates access to funds for mortgage financing through securitization guarantee products and administration of the legal framework for Canadian covered bonds.

Overview of Activity

CMHC plays a key role in promoting an effective and efficient secondary mortgage market through our Securitization Activity. Similar to mortgage loan insurance, in fulfilling its Securitization Activity, CMHC has a mandate to promote the efficient functioning and competitiveness of the housing finance market, promote and contribute to the stability of the financial system, including the housing market, and have due regard to its exposure to loss. Through our securitization programs, CMHC guarantees the timely payment of interest and principal of securities issued on the basis of eligible, housing loans. CMHC's administration of the Canadian registered covered bonds programs' legal framework is also captured under Securitization Activity.

Commercialized Operation

The Securitization Activity is carried out on a commercial basis. Revenues cover all expenses, including claims, and the Corporation is expected to generate a reasonable return for the Government of Canada, with due regard for loss. CMHC does not receive funding from the Government of Canada for this Activity.

Programs

- **Mortgage-Backed Securities:** The NHA Mortgage-Backed Securities (MBS) Program provides a framework for transforming insured residential mortgages into marketable amortizing securities issued by approved issuers. The residential mortgages are insured against borrower default and in accordance with the Government of Canada reinsurance framework. The timely payment of interest and principal to investors is guaranteed by CMHC and backed by the Government of Canada.
- **Canada Mortgage Bonds:** Under the Canada Mortgage Bonds (CMB) Program, a special purpose trust (the Canada Housing Trust (CHT)) issues non-amortizing CMBs to investors and uses the proceeds to purchase NHA MBS issued under the NHA MBS program. Monthly cash flows from the amortizing NHA MBS are transformed via swaps into non-amortizing bond cash flows with fixed or floating rate interest payments and principal at maturity (a "bullet" payment). The timely payment of interest and principal on CMB to investors is guaranteed by CMHC and represent the full faith and credit of Canada. CMHC consolidates the accounts of CHT. CHT's assets and liabilities are neither owned by nor held for the benefit of CMHC. The beneficiaries of the CHT, after payment of all obligations, are one or more charitable organizations.
- **Canadian Registered Covered Bond Programs' Legal Framework:** CMHC is responsible for the administration of the covered bond legal framework. The Government and CMHC do not provide any guarantees or backing for covered bond issues. (The administration of the framework is done on a cost-recovery basis.)

Issues for the Planning Period

CMHC's Securitization Activity provides a source of long-term funding to the Canadian financial system. Program participants, smaller lenders in particular, benefit from the stable and reliable access to funds that these programs offer. The proportion of CMB funding received by small lenders has increased from 19.0% in 2006 to 52.0% as at June 2014. Similarly, the proportion for guaranteed market NHA MBS has increased from 20.0% in 2006 to 36.0% as at June 2014.

This program enhances small lenders' ability to effectively compete with larger institutional lenders on the basis of costs, terms and products. The demand for the NHA MBS and CMB programs is expected to continue to grow even with the introduction of the Canadian registered covered bond programs' legal framework. This trend requires that CMHC continue to research and consider whether other funding options are appropriate.

Priorities for 2015 and beyond are to ensure that the guarantee fees CMHC charges are adequate and that lenders have a diversity of funding sources for mortgage lending. On 1 December 2014, CMHC announced increases to guarantee fees for all terms under its NHA MBS program effective 1 April 2015.

CMHC will also work with the private market to develop alternative funding models for small and medium-sized lenders.

Priority for 2015-2019

Reduce taxpayer exposure to the housing sector while promoting financial system stability and competition and ensuring access to funds for mortgage financing, covering a wide range of housing types and tenures in all parts of the country

Initiatives

- Review guarantee pricing to ensure fees are adequate.
- Develop options to diversify financing sources for mortgage lending by financial institutions.
- Review risks posed to the financial system by unregulated securitization program participants and subsequently review program participation criteria, as appropriate.
- Implement multi-insurer pools.

Key Performance Indicators

The following KPIs represent how we will assess the effectiveness and efficiency of the Securitization Activity, including the Priorities laid out in this Plan:

| Indicators | Target |
|---|---|
| Progress in reviewing guarantee pricing | Analysis, options and recommendations developed |
| Options developed for reducing taxpayer exposure | Analysis, options and recommendations developed |
| % of outstanding residential mortgages securitized through CMHC's guarantee programs | <35.0% |
| Progress in reviewing risks posed to the financial system by unregulated securitization program participants and subsequently reviewing program participation criteria as appropriate | Analysis, options and recommendations developed |
| % of multi-insurer pools | 10% of Approved Issuers issuing multi-insurer NHA MBS in first year post-implementation |
| Maximum lapse beyond issuer demand in total amount of annual NHA MBS and CMB guaranteed | \$2 B each |
| Operating Expense Ratio | ≤15.0% |

Capital Management

CMHC's securitization capitalization methodology is based on regulatory and economic capital principles. Capital required is calculated by applying risk factors to securitization investment assets and liabilities exposures.

CMHC appropriates Retained Earnings and Accumulated Other Comprehensive Income (Loss) from the Securitization Activity at 100% of the capital required. Investment Assets and Unappropriated Retained Earnings are available for liquidity and other purposes of the Corporation's commercial activities. The capital required calculation is based on asset balances as defined by OSFI.

| (in millions, unless otherwise indicated) | 2013 Actual ¹ | 2014 Estimate ¹ | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan | 2019 Plan |
|--|--------------------------|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Securitization Appropriated Capital: | | | | | | | |
| ■ Appropriated Retained Earnings | 816 | 1,106 | 1,206 | 1,290 | 1,392 | 1,459 | 1,522 |
| ■ AOCI (Loss) | (43) | (55) | (53) | (43) | (22) | 15 | 70 |
| Total Appropriated Capital | 773 | 1,051 | 1,153 | 1,247 | 1,370 | 1,474 | 1,592 |
| Unappropriated Retained Earnings | 623 | 518 | 614 | 765 | 961 | 1,281 | 1,696 |
| Securitization Retained Earnings | 1,439 | 1,624 | 1,820 | 2,055 | 2,353 | 2,740 | 3,218 |
| Total Equity | 1,396 | 1,569 | 1,767 | 2,012 | 2,331 | 2,755 | 3,288 |
| Capital Available to Capital Required | 182% | 149% | 153% | 161% | 170% | 187% | 207% |

¹ 2013 and 2014 calculated under CMHC's 2013 Capitalization framework; 2015 forward calculated under CMHC's 2015 Capitalization framework.

Investment Plan

Performance

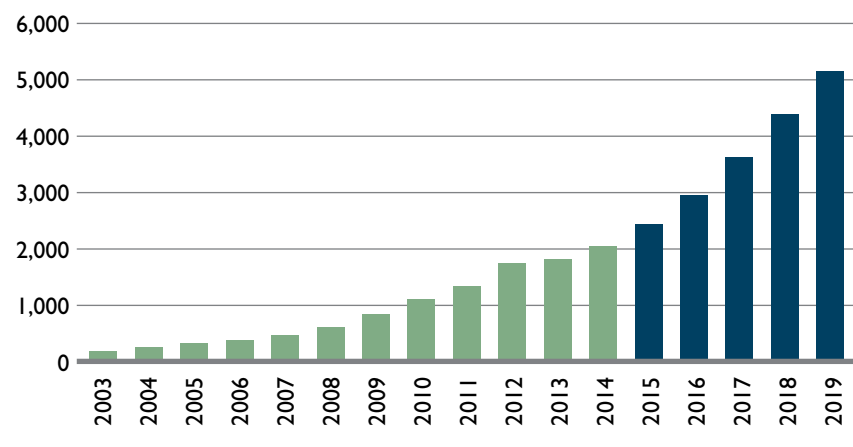
Investments under management totalled \$2,036 million (market value) as at 30 June 2014¹. As shown below, the size of the securitization portfolio has grown significantly over the last few years and this trend is expected to continue.

The money available for investment is primarily generated from the net cash flow as a result of guarantee and application fees and interest received, net of claims and expenses paid.

As at 30 June 2014, the year-to-date return for the consolidated securitization portfolio was 3.71%, compared to a consolidated index return of 3.72%.

Performance information is tracked and monitored for the individual asset classes and the consolidated portfolio over short- and long-term time horizons, and includes return and risk measures, both absolute and relative to benchmarks. The risk levels of the individual asset classes are very close to their respective benchmarks.

Actual and Projected Investments (\$ Millions)



Investment Outlook and Projected Returns

The following table provides the projected average annual returns for each of the asset classes that comprise the strategic asset allocation policy of the investment portfolio. When the Corporation last reviewed the strategic asset allocation for the securitization investment portfolio, it determined that this portfolio will hold only Government of Canada bonds and money market instruments to ensure optimum liquidity. As a result, 100% of the portfolio is invested in highly rated fixed-income instruments. The forward-looking asset class returns are assumptions prepared by the investment management consulting firm, Towers Watson, based on consensus assumptions for future expectations using 1 April 2014 initial conditions. These are total returns, including both income and price returns. The expected annual average total return of the mortgage loan insurance portfolio is based on the returns provided and the strategic asset allocation policy shown below. Actual returns may be significantly different than projections. A 50 basis point difference in return of the portfolio has approximately a \$10 million dollar impact on total return.

| Asset Class Returns (%) | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------------------|------------|------------|------------|------------|------------|
| Money Market | 1.5 | 1.9 | 2.2 | 2.4 | 2.6 |
| Government of Canada Bonds | 1.8 | 2.2 | 2.6 | 3.0 | 3.3 |
| Projected Annual Total Returns | 1.8 | 2.2 | 2.6 | 3.0 | 3.3 |

¹ The investments under management exclude investments related to repo activity.

People and Processes

Overview of Activities

The following CMHC activities related to people and processes facilitate the achievement of corporate objectives:

- An independent risk management function responsible for the oversight of risks faced by the Corporation;
- An independent internal audit function responsible for providing an objective assurance as to the effectiveness of risk management, control and governance processes;
- Information management systems and processes to support efficiency of activities;
- A framework and culture to ensure that the Corporation is able to attract, retain and motivate talent;
- Financial and legal functions, including regulatory compliance, which support decision-making by senior management and the Board;
- Communications and marketing functions which enhance awareness of CMHC's programs and services;
- Administrative services, which enhance operational efficiency and service delivery in an environmentally sustainable manner;
- Management of Granville Island, on behalf of the Government of Canada at no cost to the Canadian taxpayer; and
- Change management and project management functions and activities to support corporate evolution.

Issues for the Planning Period

CMHC has a long and distinguished history of evolving to meet the changing needs of Canadians. We have once again embarked on a period of significant cultural, organizational and operational change to respond to the growing complexity of our operating environment and be better able to deliver on our mandate. CMHC is also transforming the way people work together, including creating more development opportunities to ensure that employees are best-positioned to meet future challenges.

At its core, the case for change at CMHC emanates from our mission "We help Canadians meet their housing needs". The impetus to drive the change will come from our vision: "The heart of a world-leading housing system". Our plan for change – CMHC in Motion – encompasses four key ideals:

1. *Focused Role*

Many of the priorities and initiatives presented in preceding sections speak to CMHC's refocusing and transformation of our role. In order to accomplish this, CMHC must ensure our voice is heard by decision makers. The objective will be to improve our public image and position CMHC as Canada's authority on housing by demonstrating that CMHC is open and transparent and contributes to the stability of Canada's housing finance system while meeting the housing needs of Canadians.

2. *Enabled People*

CMHC continues to manage the renewal of our workforce through recruitment and retention activities, as well as creating advancement and development opportunities for employees across the organization. This entails significant focus on succession management and leadership development, in order to prepare employees for future challenges and to adapt to change resulting from evolving business needs and new corporate priorities. We remain committed to providing a quality workplace and continuing to be an employer of choice. Consistent with the program of change envisioned, CMHC will also be investing in risk management, project management and change management capabilities.

3. *Efficient Processes*

CMHC will focus more on the efficiency of our processes. This includes speeding up decision making, investing in the required tools and technology, simplifying work, streamlining processes and reducing bureaucracy.

Among these changes, the transformation of I and T will be pivotal. In the next five years, the unprecedented growth, availability and usage of technology and information will accelerate the already changing CMHC technology environment and business delivery. Cyber threats are also a growing concern and a major factor to consider as more technology is adopted and the sophistication of these threats increases. A multi-year I and T strategy is underway to modernize business delivery functions, transform and automate program delivery, increase staff efficiency and effectiveness, and mitigate operational and technology risk. The strategy will also improve the reliability, utilization and performance of CMHC's technology infrastructure as well as modernize our technology security program. In order to effectively manage the successful planning and implementation of this strategy, investments are being made in CMHC's project and portfolio management capabilities and the creation of an enterprise architecture discipline.

4. *Accountable Culture*

While CMHC continues to execute risk-related initiatives identified in prior corporate plans, there is an opportunity to instill a consistent risk culture that is pervasive across all functions and levels. CMHC needs to demonstrate that our risk culture is appropriately established on a corporate-wide basis consistent with the risk appetite for our activities. This requires sound risk management controls at the business operations level, along with effective monitoring by oversight functions and independent assurance to Senior Management and the Board. Over the planning period, CMHC intends to deploy the "Three Lines of Defence" risk governance model, which is an effective approach for reinforcing that all levels of an institution are responsible for managing risks and ensuring that they are working in a cohesive manner.

We are also working to ensure that the entire organization acts as one team with one mission. Facilitated by an internal control framework, CMHC will broaden accountabilities and empower individuals to make more decisions. To support this, we will also work to strengthen the culture of performance management, to ensure individuals are rewarded for successes and have the opportunity to learn from mistakes.

For the 2015-2019 planning period, the changes and issues described above have resulted in two priorities.

Priorities for 2015-2019

Transform CMHC to ensure the Corporation can take advantage of the opportunities and meet the challenges it faces

Initiatives

- Ensure CMHC's voice is heard by decision makers by enhancing awareness and understanding of CMHC's mandate and role, as well as its programs and services.
- Instill a consistent risk culture throughout CMHC, with the objective of being a state-of-the-art risk manager appropriate to the size, complexity and scope of activities.
- Provide for and reinforce a culture of performance and employee development that broadens and shares accountabilities, empowers appropriate decision making at all levels and ensures appropriate leadership capability for the future.
- Fund investments in high-priority initiatives through the realization of productivity and efficiency gains.

Transform the way we operate by investing in technology that meets the evolving needs of our business and helps us work together

Initiatives

- Renew and modernize legacy systems and technologies and, when necessary, business processes, to provide efficient and sustainable solutions that will enable CMHC to address current and changing business needs through the 5-year I and T Strategic Investments Roadmap.
- Enhance I and T service delivery and ongoing operations, ensuring a secure, reliable and efficient environment.
- Implement information management systems and technology changes through collaboration, best practices and appropriate governance processes and controls.
- Implement technology that will enable state-of-the-art stress testing and capital modelling capabilities.

Key Performance Indicators

The following KPIs represent how we will assess the effectiveness and efficiency of the People and Process Activity, including the Priorities laid out in this Plan:

| Indicators | Target |
|---|--|
| Maintenance of high overall employee engagement results compared to industry benchmarks, while demonstrating improvement in the specific results related to corporate culture and employee autonomy and accountability: | |
| ■ Achievement of a level of overall engagement equal to or higher than the Hay Group Norm for High Performing Organizations (73%) | 80% (2% improvement over 2014) |
| ■ % improvement related to corporate culture | 4.8% (from 63% to 66%) |
| ■ % improvement related to employee autonomy and accountability | 1.8% (from 72% to 73.3%) |
| Demonstrated improvement via the employee engagement survey in the specific results related to employee development: | |
| ■ % improvement related to employee development | 6.5% (from 62% to 66%) |
| On-time and on-budget achievement of the Information and Technology Strategic Investments Roadmap, with demonstrated realization of intended benefits | 95% of investments should be on-time and on-budget |
| Client Interest Index ¹ to assess CMHC's communications and marketing outreach | 105 |
| Assessment as to whether the change management initiatives are delivering the benefits and value anticipated, as measured through success of individual projects | Established on a per initiative basis |
| Realization of potential efficiency gains identified at the beginning of the planning period | \$3.2 M |
| Corporate overhead as a percentage of Direct Operating Expenses | <40.0% |
| Status of projects as measured by green/yellow/red on scope, time, and financials (including benefits) | |
| ■ % green – on track | 85.0% |
| ■ % yellow – requires monitoring | 10.0% |
| ■ % red – at risk | 5.0% |
| Corporate Operating Expense Ratio | 12.8% |
| Complete implementation of an organizational redesign that operationalizes principles established in 2014, including with respect to increasing spans of control and de-layering | Achieved / Not Achieved |
| Implement the capabilities and sophistication for cyber security and internal threat monitoring, defence, and response capabilities | End 2016 |
| Establish a data and information governance structure and an Information Management policy | Implemented Q3 2015 |
| Increase the maturity level and capabilities of the project management and enterprise architecture disciplines | Initiative implemented by Q1 2015 |
| Issuance of audit report within 60 days of end of field work | 95.0% |
| Number of internal audits included in approved audit plan completed within expected time frame | 75.0% |

¹ The CMHC Client Interest Index is an indicator of client awareness and interest in CMHC's programs and services and the performance of CMHC's communications and marketing activities as measured through CMHC's reach via four areas: website, social media, call centre and traditional media. The 2015 Client Interest Index target was developed using 2014 year-end estimates as a baseline (normalized to 100).

RESOURCE REQUIREMENTS

Operating Budget

CMHC's approved operating budget for 2015 is \$381.7 million. This budget provides the resources necessary for CMHC to deliver and administer planned business volumes and support Market Analysis and Research, Assisted Housing, Mortgage Loan Insurance and Securitization Activities. CMHC's human resource requirements are planned and accounted for in terms of full-time equivalents and reflect planned business volumes and related performance standards.

2013 Results | 2014 Forecast | 2015-2019 Plan

| (in millions) | 2013 Plan | 2013 Actual | 2014 Plan | 2014 Estimate | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan | 2019 Plan |
|---|-----------|-------------|-----------|---------------|-----------|-----------|-----------|-----------|-----------|
| Total (excl. Pension/Post-Employment Benefits) | 317.5 | 292.1 | 328.4 | 322.9 | 329.9 | 352.0 | 354.6 | 357.3 | 360.4 |
| Pension/Post-Employment Benefits | 64.2 | 68.1 | 66.1 | 48.9 | 51.8 | 48.5 | 42.9 | 39.4 | 37.9 |
| Total | 381.7 | 360.2 | 394.5 | 371.8 | 381.7 | 400.5 | 397.5 | 396.7 | 398.3 |

In 2013, actual spending was \$360.2 million, which is 5.6% (\$21.5 million) below the annual plan of \$381.7 million. Costs were under plan primarily in personnel due to the under-consumption in full-time equivalents and lower group insurance expenses.

Additional provisions have been made in the operating budget to support the regular benchmarking of CMHC's oversight functions, develop a risk management culture and framework as well as CMHC's Own Risk and Solvency Assessment (ORSA) function, strengthen stress testing and economic capital modelling, implement an internal control framework. These activities will strengthen CMHC's "Three Lines of Defence".

CMHC considers these risk management and governance expenditures as non-discretionary. While CMHC recognizes that non-discretionary expenditures may be prudent reasons for exceeding the budget freeze level, it intends to manage these additional 2014 and 2015 requirements within the 2013 frozen budget level of \$381.7 million. This is expected to be achieved in part because many of these activities are continuing to ramp up in 2014 and 2015, but also in part because of lower pension and post-employment expenses compared to 2013. Still, CMHC recognizes the distinct possibility that these additional cost pressures may lead to actual results exceeding budget in 2015.

CMHC is also facing considerable challenges in I and T. Modernization and transformation of CMHC's technologies will be a priority over the planning horizon. CMHC's required technology investment is expected to require a significant number of temporary staff, which will decline toward the end of the planning period. Full-time equivalents are also declining over the planning horizon as claims and default management activities are expected to moderate for mortgage loan insurance and assisted housing portfolios continue to mature.

| | 2013 Plan | 2013 Actual | 2014 Estimate | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan | 2019 Plan |
|---|-----------|-------------|---------------|-----------|-----------|-----------|-----------|-----------|
| Full-Time Equivalent Forecast Totals | 1,878 | 1,826 | 1,844 | 1,929 | 1,982 | 1,958 | 1,935 | 1,934 |

Capital Budget

Capital Budget for Loans and Investments

This portion of the Capital Budget for 2015 is \$144 million for lending activities to permit eligible borrowers to acquire, construct or renovate housing under the various assisted housing programs of the NHA, and to help Canadians in need to access affordable, sound and suitable housing. The capital budget authority is also used to refinance privately financed social housing projects under the Assisted Housing Activity.

Capital Budget for Furniture, Equipment and Business Premises

This portion of the capital budget amounts to \$11 million for 2015 and provides for the fit-up of CMHC's office space, ongoing repair and replacement of worn out assets, the acquisition of new assets, the principal portion of the long-term lease payments for the National Office "C" Building, as well as an investment of approximately \$1.0 million annually for five years in energy efficiency initiatives in its National Office complex, which started in 2011.

2013 Results | 2014 Forecast | 2015-2019 Plan

| (in millions) | 2013 Plan | 2013 Actual | 2014 Plan | 2014 Estimate | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan | 2019 Plan |
|---|-----------|-------------|-----------|---------------|-----------|-----------|-----------|-----------|-----------|
| Total for Loans and Investments | 234 | 210 | 112 | 112 | 144 | 130 | 128 | 128 | 123 |
| Total Furniture Equipment and Business Premises | 7 | 7 | 7 | 7 | 11 | 5 | 4 | 4 | 4 |
| Total Capital Budget | 241 | 217 | 119 | 119 | 155 | 135 | 132 | 132 | 127 |

Actual capital commitments made in 2013 totalled \$217 million which is \$24 million (10.0%) lower than plan. The 2014 estimate is in line with the approved budget. Capital requirement projections for 2015 are \$155 million. The increase over 2014 is due to additional commitment activity under the Direct Lending initiative for new construction under the On-Reserve Non-Profit Housing Program (Section 95) as well as increases related to office space adjustments.

Borrowing Plan

Statutory Borrowing Authorities

CMHC derives its borrowing authorities pursuant to subsections 21(1) and (2), and section 22 of the *Canada Mortgage and Housing Corporation Act* and subsections 127(1) and (3) of the *Financial Administration Act*. The Minister of Finance's approval of CMHC's borrowing activities is required as part of this Corporate Plan and CMHC complies with the Minister of Finance Financial Risk Management Guidelines for Crown Corporations. The Borrowing Plan deals strictly with the direct authority to borrow by CMHC for the delivery of its programs. Although CMHC consolidates the accounts of CHT into our financial statements, CMHC is not the borrower. CHT borrowings, including those under the CMB program, are therefore excluded from the Borrowing Plan, as are existing mortgages or other debt obligations secured against property that is transferred to CMHC as part of its insurance and investment activities.

CMHC has received standing authority to borrow from the Crown Borrowing Program in order to meet the funding requirements forecasted in this document, with total outstanding market and CBP borrowings not exceeding \$16 billion, which includes borrowings not to exceed \$2.2 billion for IMPP, not to exceed \$1.7 billion for MILP and not to exceed \$12.1 billion for Direct Lending and Cash Management. Further CBP borrowings above the authorized amount will be subject to approval by the Minister of Finance.

FINANCIAL STATEMENTS

Consolidated Financial Statements

| | |
|--|---------|
| Balance Sheet | Table 1 |
| Statement of Income, Comprehensive Income and Equity of Canada | Table 2 |
| Statement of Cash Flows | Table 3 |

Table 1: Balance Sheet (in millions)

| Description | 2013 Actual | 2014 Estimate | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan | 2019 Plan |
|---|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | 1,336 | 1,363 | 1,403 | 1,396 | 1,442 | 1,443 | 1,363 |
| Investment Securities: | | | | | | | |
| Designated at Fair Value through Profit or Loss | 1,012 | 1,489 | 1,729 | 1,628 | 1,471 | 1,402 | 1,179 |
| Available for Sale | 19,659 | 21,033 | 22,251 | 23,744 | 25,700 | 27,769 | 29,952 |
| Held for Trading | 444 | - | - | - | - | - | - |
| Loans: | | | | | | | |
| Designated at Fair Value through Profit or Loss | 6,041 | 5,567 | 4,977 | 4,441 | 3,972 | 3,554 | 3,169 |
| Loans and Receivables | 239,531 | 216,805 | 221,213 | 224,504 | 230,429 | 227,365 | 229,249 |
| Accrued Interest Receivable | 859 | 821 | 852 | 972 | 1,100 | 1,287 | 1,456 |
| Derivatives | 96 | 73 | 36 | 19 | 9 | 3 | 1 |
| Due from the Government of Canada | 311 | 300 | 302 | 300 | 298 | 297 | 297 |
| Accounts Receivable and Other Assets | 762 | 903 | 848 | 912 | 1,004 | 1,066 | 1,128 |
| Deferred Income Tax Assets | - | - | - | - | - | - | - |
| Total Assets | 270,051 | 248,354 | 253,611 | 257,916 | 265,425 | 264,186 | 267,794 |
| LIABILITIES | | | | | | | |
| Securities Sold Under Repurchase Agreements | 91 | 500 | 500 | 500 | 500 | 500 | 500 |
| Borrowings: | | | | | | | |
| Designated at Fair Value through Profit or Loss | 7,818 | 7,781 | 7,160 | 6,370 | 5,815 | 5,342 | 4,627 |
| Other Financial Liabilities | 237,378 | 214,431 | 218,969 | 222,216 | 228,016 | 224,756 | 226,488 |
| Accrued Interest Payable | 652 | 585 | 619 | 743 | 872 | 1,055 | 1,219 |
| Derivatives | 44 | 23 | 1 | 11 | 7 | 6 | 5 |
| Accounts Payable and Other Liabilities | 817 | 846 | 802 | 706 | 753 | 777 | 790 |
| Provision for Claims | 869 | 736 | 632 | 582 | 554 | 541 | 529 |
| Unearned Premiums and Fees | 6,511 | 6,215 | 6,186 | 6,395 | 6,731 | 7,088 | 7,366 |
| Deferred Income Tax Liabilities | 33 | 40 | 41 | 68 | 94 | 117 | 148 |
| Total Liabilities | 254,213 | 231,157 | 234,910 | 237,591 | 243,342 | 240,182 | 241,672 |
| EQUITY OF CANADA | | | | | | | |
| Contributed Capital | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Accumulated Other Comprehensive Income (Loss) | 943 | 209 | (4) | (139) | (215) | (223) | (174) |
| Retained Earnings | 14,718 | 16,807 | 18,519 | 20,276 | 22,092 | 24,021 | 26,092 |
| Reserve Fund | 152 | 156 | 161 | 163 | 181 | 181 | 179 |
| Total Equity of Canada | 15,838 | 17,197 | 18,701 | 20,325 | 22,083 | 24,004 | 26,122 |
| Total Liabilities and Equity of Canada | 270,051 | 248,354 | 253,611 | 257,916 | 265,425 | 264,186 | 267,794 |

Table 2: Statement of Income, Comprehensive Income and Equity of Canada (in millions)

| Description | 2013 Actual | 2014 Estimate | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan | 2019 Plan |
|---|----------------|------------------|---------------|---------------|---------------|---------------|---------------|
| REVENUES | | | | | | | |
| Parliamentary Appropriations for Housing Programs | 2,071 | 2,058 | 2,129 | 2,076 | 2,033 | 2,037 | 1,846 |
| Premiums and Fees Earned | 2,001 | 1,920 | 1,895 | 1,921 | 1,994 | 2,109 | 2,233 |
| Interest Income | | | | | | | |
| Loans | 7,111 | 5,589 | 5,322 | 5,548 | 6,097 | 7,153 | 7,851 |
| Other | 60 | 51 | 65 | 83 | 99 | 110 | 96 |
| | 7,171 | 5,640 | 5,387 | 5,631 | 6,196 | 7,263 | 7,947 |
| Interest Expense | 7,024 | 5,517 | 5,250 | 5,487 | 6,040 | 7,093 | 7,767 |
| Net Interest Income | 147 | 123 | 137 | 144 | 156 | 170 | 180 |
| Investment Income | 606 | 658 | 670 | 706 | 757 | 814 | 877 |
| Net Realized Gains (Losses) | 46 | 683 | 128 | 86 | 104 | 77 | 75 |
| Net Unrealized Gains (Losses) | 112 | 57 | (6) | (2) | (18) | (4) | (7) |
| Other Income | 158 | 104 | 97 | 93 | 91 | 89 | 91 |
| Total Revenues | 5,141 | 5,603 | 5,050 | 5,024 | 5,117 | 5,292 | 5,295 |
| EXPENSES | | | | | | | |
| Housing Programs | 2,071 | 2,058 | 2,129 | 2,076 | 2,033 | 2,037 | 1,846 |
| Insurance Claims | 309 | 322 | 312 | 295 | 287 | 292 | 297 |
| Operating Expenses | 348 | 379 | 395 | 415 | 422 | 428 | 432 |
| Total Expenses | 2,728 | 2,759 | 2,836 | 2,786 | 2,742 | 2,757 | 2,575 |
| Income before Income Taxes | 2,413 | 2,844 | 2,214 | 2,238 | 2,375 | 2,535 | 2,720 |
| Income Taxes | 584 | 697 | 538 | 545 | 579 | 618 | 664 |
| NET INCOME | 1,829 | 2,147 | 1,676 | 1,693 | 1,796 | 1,917 | 2,056 |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX | | | | | | | |
| <u>Items that Will Be Subsequently Reclassified to Net Income:</u> | | | | | | | |
| Net Unrealized Gains (Losses) from Available for Sale Financial Instruments | (1) | (249) | (101) | (53) | (25) | 69 | 127 |
| Reclassification of Prior Years' Net Unrealized (Gains) Losses Realized in the Period in Net Income | (94) | (485) | (112) | (82) | (51) | (77) | (78) |
| Total Items that Will Be Subsequently Reclassified to Net Income | (95) | (734) | (213) | (135) | (76) | (8) | 49 |
| <u>Items that Will Not Be Subsequently Reclassified to Net Income:</u> | | | | | | | |
| Remeasurements of the Net Defined Benefit Plans | 260 | (54) | 41 | 66 | 38 | 12 | 13 |
| Other Comprehensive Income | 165 | (788) | (172) | (69) | (38) | 4 | 62 |
| COMPREHENSIVE INCOME | 1,994 | 1,359 | 1,504 | 1,624 | 1,758 | 1,921 | 2,118 |
| CONTRIBUTED CAPITAL | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | | |
| Balance at Beginning of Year | 1,038 | 943 | 209 | (4) | (139) | (215) | (223) |
| Other Comprehensive Income (Loss) | (95) | (734) | (213) | (135) | (76) | (8) | 49 |
| Balance at End of Year | 943 | 209 | (4) | (139) | (215) | (223) | (174) |
| RETAINED EARNINGS | | | | | | | |
| Balance at Beginning of Year | 12,679 | 14,718 | 16,807 | 18,519 | 20,276 | 22,092 | 24,021 |
| Net Income | 1,829 | 2,147 | 1,676 | 1,693 | 1,796 | 1,917 | 2,056 |
| Other Comprehensive Income (Loss) | 260 | (54) | 41 | 66 | 38 | 12 | 13 |
| Transferred to Reserve Fund | (50) | (4) | (5) | (2) | (18) | - | 2 |
| Balance at End of Year | 14,718 | 16,807 | 18,519 | 20,276 | 22,092 | 24,021 | 26,092 |
| RESERVE FUND | | | | | | | |
| Balance at Beginning of Year | 102 | 152 | 156 | 161 | 163 | 181 | 181 |
| Transferred from Retained Earnings | 50 | 4 | 5 | 2 | 18 | - | (2) |
| Balance at End of Year | 152 | 156 | 161 | 163 | 181 | 181 | 179 |
| EQUITY OF CANADA | 15,838 | 17,197 | 18,701 | 20,325 | 22,083 | 24,004 | 26,122 |

Table 3: Statement of Cash Flows (in millions)

| Description | 2013 Actual | 2014 Estimate | 2015 Plan | 2016 Plan | 2017 Plan | 2018 Plan | 2019 Plan |
|--|----------------|------------------|--------------|--------------|--------------|--------------|--------------|
| CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | | | | |
| Net Income | 1,829 | 2,147 | 1,676 | 1,693 | 1,796 | 1,917 | 2,056 |
| Items not Affecting Cash or Cash Equivalents: | | | | | | | |
| Amortization of Premiums and Discounts on Financial Instruments | 88 | (19) | (88) | (86) | (49) | (35) | 15 |
| Deferred Income Taxes | 91 | 7 | 1 | 27 | 26 | 23 | 31 |
| Change in Fair Value of Financial Instruments Carried at Fair Value | (112) | (57) | 6 | 2 | 18 | 4 | 7 |
| Net (Gain) Loss on Financial Instruments | (46) | (683) | (128) | (86) | (80) | (77) | (75) |
| Net Change in Non-cash Operating Assets and Liabilities: | | | | | | | |
| Accrued Interest Receivable | 100 | 38 | (31) | (121) | (128) | (186) | (170) |
| Accounts Receivable and Other Assets | 173 | (141) | 55 | (64) | (92) | (62) | (62) |
| Due from the Government of Canada | (2) | 11 | (2) | 2 | 2 | 1 | - |
| Accrued Interest Payable | (101) | (67) | 34 | 125 | 129 | 182 | 165 |
| Accounts Payable and Other Liabilities | (441) | 29 | (44) | (96) | 47 | 24 | 13 |
| Derivatives | (2) | - | - | - | - | - | - |
| Provision for Claims | (127) | (133) | (104) | (50) | (28) | (13) | (12) |
| Unearned Premiums and Fees | (429) | (296) | (29) | 209 | 336 | 357 | 278 |
| Other | 258 | 120 | 178 | 191 | 122 | 61 | (4) |
| Loans: | | | | | | | |
| Repayments | 60,865 | 63,243 | 34,072 | 33,178 | 30,546 | 39,500 | 3,552 |
| Disbursements | (38,820) | (40,141) | (38,062) | (36,074) | (36,087) | (36,088) | (36,074) |
| Borrowings: | | | | | | | |
| Repayments | (63,508) | (63,393) | (35,024) | (34,165) | (31,220) | (40,116) | (4,153) |
| Issuances | 41,399 | 40,505 | 39,123 | 36,781 | 36,566 | 36,454 | 36,191 |
| | 1,215 | 1,170 | 1,633 | 1,466 | 1,904 | 1,946 | 1,758 |
| CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES | | | | | | | |
| Change in Investment Securities | (828) | (1,552) | (1,593) | (1,473) | (1,858) | (1,945) | (1,838) |
| Change in Securities Purchased Under Resale Agreements | 63 | - | - | - | - | - | - |
| Change in Securities Sold under Repurchase Agreements | (334) | 409 | - | - | - | - | - |
| | (1,099) | (1,143) | (1,593) | (1,473) | (1,858) | (1,945) | (1,838) |
| Increase (Decrease) in Cash and Cash Equivalents | 116 | 27 | 40 | (7) | 46 | 1 | (80) |
| CASH AND CASH EQUIVALENTS | | | | | | | |
| Beginning of Year | 1,220 | 1,336 | 1,363 | 1,403 | 1,396 | 1,442 | 1,443 |
| End of Year | 1,336 | 1,363 | 1,403 | 1,396 | 1,442 | 1,443 | 1,363 |
| Supplementary Disclosure of Cash Flow from Operating Activities | | | | | | | |
| Amount of Interest Received During the Year | 7,888 | 6,184 | 5,953 | 6,183 | 6,788 | 7,859 | 8,628 |
| Amount of Interest Paid During the Year | 7,253 | 5,583 | 5,212 | 5,361 | 5,911 | 6,910 | 7,603 |
| Amount of Dividends Received During the Year | 99 | 39 | 39 | 43 | 46 | 50 | 53 |
| Amount of Income Taxes Paid During the Year | 331 | 539 | 364 | 558 | 505 | 585 | 649 |

ANNEX A - CORPORATE PROFILE AND GOVERNANCE

Mandate and Legislative Framework

CMHC is a federal Crown corporation incorporated under the *Canada Mortgage and Housing Act* (CMHC Act) and is accountable to Parliament through the Minister for CMHC¹ (the Minister). Our legislative framework consists of the CMHC Act, the *National Housing Act* (NHA) and the *Financial Administration Act* (FAA).

As set out in the NHA, CMHC's mandate is to promote the construction of new houses, the repair and modernization of existing houses, and the improvement of housing and living conditions. In relation to financing for housing, the NHA's purpose is to promote housing affordability and choice; to facilitate access to and competition and efficiency in the provision of housing finance; to protect the availability of adequate funding for housing; and to contribute to the well-being of the housing sector.

Additional "objects" in the NHA relate to the Corporation's housing finance activities. These are: a) to promote the efficient functioning and competitiveness of the housing finance market; b) to promote and contribute to the stability of financial system, including the housing market; and c) to have due regard to the Corporation's exposure to loss.

Annual Reviews by the Superintendent of Financial Institutions

The NHA specifies that the Superintendent of Financial Institutions, at least once each calendar year, will make or cause to be made any examination or inquiry that the Superintendent considers to be necessary or expedient to determine if the Corporation is carrying out any or all of its commercial activities in a safe and sound manner with due regard to loss. The Superintendent reports the results and recommendations to the Board of Directors, the Minister and the Minister of Finance.

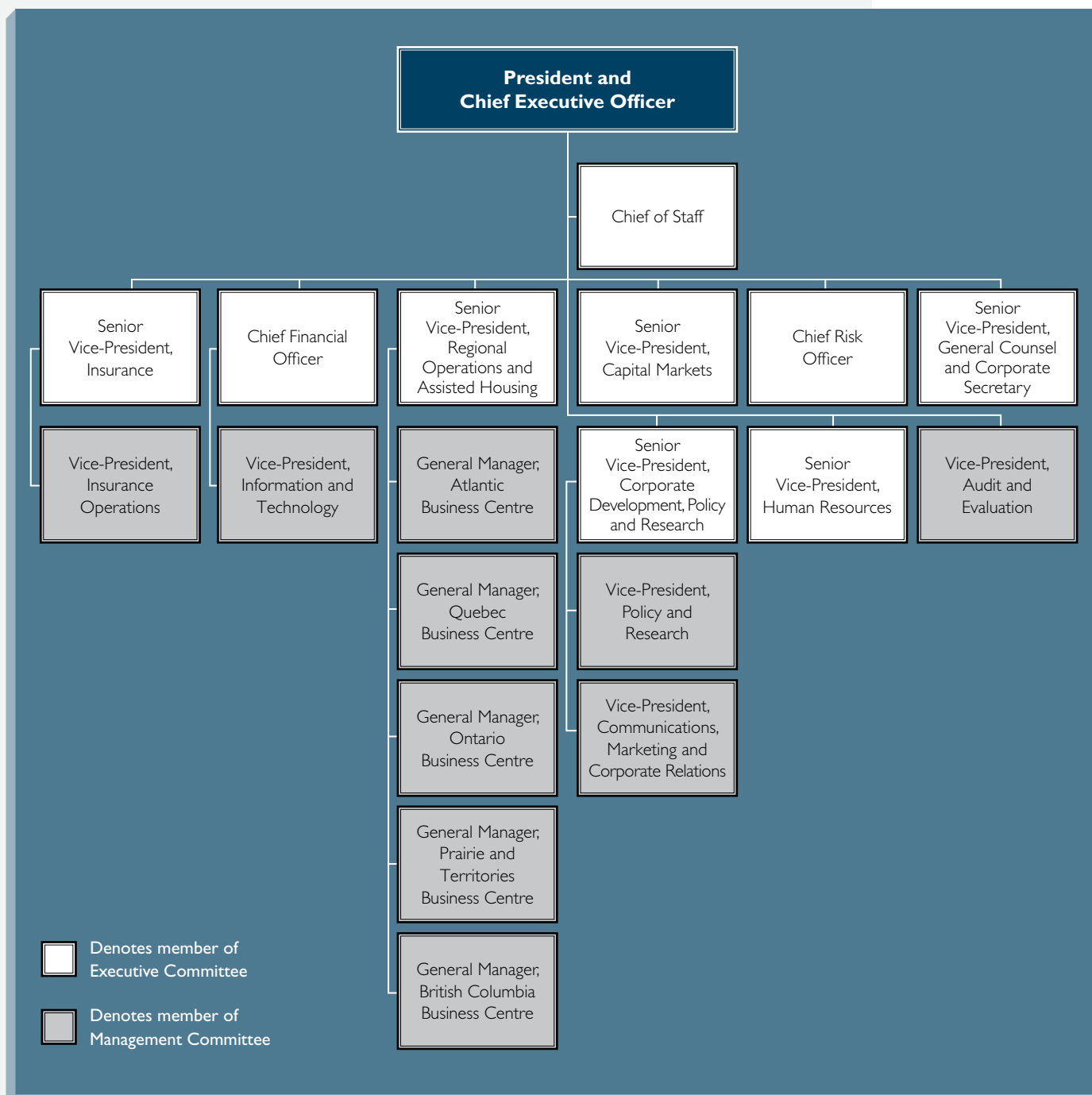
Corporate Structure

The Board of Directors is responsible for managing the affairs of the Corporation and the conduct of our business in accordance with applicable legislation as well as the governing by-laws of the Corporation. The Board comprises the Chairperson, the President and Chief Executive Officer (CEO), the Minister's Deputy Minister, the Deputy Minister of Finance, and eight other directors. Board members are appointed pursuant to sub-sections 6(2) and 6(4) of the CMHC Act. Charters for the Board's committees (Audit, Corporate Governance and Nominating, Human Resources, and Risk Management) are posted on CMHC's website (http://www.cmhc-schl.gc.ca/en/corp/about/cogo/cogo_002.cfm).

At the senior management level, an Executive Committee has been established with a mandate to focus on significant strategic, policy and risk issues. A Management Committee focuses on operational issues and decisions with cross-sectoral impact.

¹ The Minister designated for the purpose of the CMHC Act and the NHA is currently the Minister of Employment and Social Development.

The following organizational chart shows CMHC's current management structure as at 31 July 2014.



CMHC's national office is in Ottawa. The Corporation has five regional business centres situated in Halifax, Montreal, Toronto, Calgary and Vancouver. There are approximately 1,900 CMHC employees. CMHC provides advisory and other services to the Canada Housing Trust (CHT) and the First Nations Market Housing Fund (FNMHF). We also manage and administer Granville Island on behalf of the Government of Canada.

ANNEX B - 2014 PERFORMANCE INDICATORS

| Indicators | 2013 Actual | Plan | 2014 | |
|--|--------------------------|---------|---------------------|-------------------------|
| | | | Plan | Actual |
| Strategic Priority 1.1 – Help Canadians in need access affordable, sound and suitable housing | | | | |
| Housing Programs Expenses excluding operating expenses (\$M) | 1,955 | 1,833 | Full year plan only | Measured at year end |
| Affordable housing expenditures (\$M) (measured against fiscal year 2014-15 target) | 250 | 51.1 | 64.9 | 73.1 |
| Estimated number of households assisted through long-term social housing commitments | 584,700 | 568,600 | N/A | N/A |
| Affordable housing units facilitated by CMHC's Affordable Housing Centre | 3,692 | 3,060 | N/A | 1,297 |
| Direct Lending (\$M) | 1,126 | 707.7 | 371.8 | 411.2 |
| Strategic Priority 1.2 – Help Aboriginal Canadians to improve their living conditions | | | | |
| New units committed under the On-Reserve Non-Profit Housing Program (measured against 2014-15 fiscal year target) | 546 | 408 | 0 | 0 |
| Renovation program expenditures (value of loans that are forgiven over time) (\$M) (measured against 2014-15 fiscal year target) | 13.3 | 12.4 | 2.1 | 1.9 |
| Per cent of housing programs and services delivered through First Nations or Aboriginal organizations | 90 | 85 | 85 | 85 |
| Strategic Priority 2.1 – Provide mortgage loan insurance products and tools to Canadians and contribute to the stability of the housing market | | | | |
| Total insured volumes (units) | 343,733 | 353,975 | 168,865 | 143,151 |
| Total insured volumes (\$M) | 61,053 | 62,864 | 29,221 | 25,097 |
| Per cent of the total of rental and high ratio homeowner units approved to address less-served markets and/or to support specific Government priorities | 43.7 | 33 | 33.0 | 45.5 |
| Operating Expense Ratio (%) | 12.8 | 13.8 | 14.7 | 13.0 |
| Strategic Priority 2.2 – Ensure an adequate supply of funds for mortgage lending through mortgage securitization while considering the competitiveness, efficient functioning and stability of the housing finance system | | | | |
| Annual securities guaranteed (\$M) | 122,642 | 120,000 | 60,000 | 46,894 |
| ▪ Market NHA MBS | 83,992 | 80,000 | 40,000 | 28,394 |
| ▪ CMB | 38,650 | 40,000 | 20,000 | 18,500 |
| Operating Expense Ratio (%) | 5.7 | <9 | <9 | 5.4 |
| Per cent of outstanding residential mortgages securitized | 31.1 | 21 | 21 | 32.5 |
| Strategic Priority 2.3 – Support financial stability through a robust market for Canadian covered bonds, thereby facilitating funding for the Canadian housing market | | | | |
| Average approval times for Issuers/Programs upon submission of substantially complete applications | 41 days | 60 days | 60 days | 45 days |
| To be monitored | | | | |
| Value of covered bonds issued under the framework in comparison to value prior to the framework being in place (2012 C\$ equivalent \$17B) | \$13.2B (C\$ equivalent) | N/A | N/A | \$7.6B (C\$ equivalent) |

SUMMARY OF THE CORPORATE PLAN 2015-2019

| Indicators | 2013 Actual | Plan | 2014 | |
|---|--------------------------|-----------------|-------------------|-------------------|
| | | | Mid-year | |
| | | | Plan | Actual |
| Strategic Priority 3.1 – Undertake policy development, research and information transfer activities to enable Canadian consumers and the housing sector to make informed decisions | | | | |
| Per cent of recipients of newly published <i>Research Highlights</i> who found them useful | 68 | 70 | 70 | 71 |
| Per cent of recipients of newly published <i>About Your House</i> fact sheets who found them useful | 88 | 80 | N/A | Measured in Q4 |
| Strategic Priority 3.2 – Provide comprehensive, timely and relevant market analysis information | | | | |
| Per cent of subscribers to market analysis publications who found them useful | 94 | 93 | N/A | Measured year end |
| Per cent of attendees at Housing Outlook Conferences who found them useful | 99 | 95 | 95 | 99.7 at Q1 |
| Forecast accuracy of housing starts (%) | 3 | 10.0% of actual | 10.0% of actual | -4.9 |
| Ranking of housing starts forecast accuracy among forecasters | 3 rd quartile | Top quartile | Measured year end | Measured year end |
| Human Resources | | | | |
| Retention of regular employees recruited 3 to 5 years ago (%) | 97 | 93 | 93 | 98.1 |
| Level of employee engagement (%) ¹ | 94 | 73 | 73 | 78 |
| Critical and senior management positions with ready succession (%) | 94 | 90 | 90 | 94 |
| Employees with development plans in place in CMHC's online performance management system (%) | 98 | 95 | 95 | 98 |
| Employees in bilingual positions meeting language requirements (%) | 91 | 90 | 90 | 89 |
| Representation rates for Aboriginal people, visible minorities and persons with disabilities reflect or exceed the labour representation rates in the latest Census (%) | | | | |
| ▪ Aboriginal people | 2.8 | 2.9 | 2.9 | 2.9 |
| ▪ Visible minorities | 16.9 | 17.7 | 17.7 | 17.0 |
| ▪ Persons with disabilities | 4.1 | 4.2 | 4.2 | 4.1 |
| Information Technology | | | | |
| Technology index for key systems (%) calculated by comparing the actual availability of the mission critical business applications against their planned availability | 99.9 | 99.8 | 99.8 | 99.86 |

¹ There is a notable difference between the 2013 Actual versus 2014 Plan for level of employee engagement since CMHC has a new provider for the employee engagement survey that uses a different methodology to measure engagement. As a result, the 2014 target is based on the new provider, Hay Group, norm for high performing organizations.

ANNEX C - EXPECTED OUTCOMES

The following immediate and longer-term outcomes and indicators have been developed for the 2015-2019 planning period. To the extent that indicators for prior years are available, these have been provided for illustrative purposes.

MARKET ANALYSIS AND RESEARCH ACTIVITY

| Immediate Outcomes | Indicators | | |
|---|--|------|------|
| | (in millions, unless otherwise indicated) | 2012 | 2013 |
| Housing industry stakeholders are aware of and access research and market analysis information products | Information products distributed or downloaded | 2.2 | 2.1 |
| | Visits to CMHC website | 9.5 | 7.6 |
| | Attendees at Housing Outlook Conferences, webcasts and presentations ('000s) | 34 | 30 |

| Longer-Term Outcomes | Indicators | | |
|---|--|---|--|
| | | 2012 | 2013 |
| Housing industry stakeholders have useful information about housing (understandable, timely, relevant, credible) and can make more informed decisions about housing-related matters | Combined usefulness rating of market analysis and research information | Not applicable | Not applicable |
| | Forecast accuracy for housing starts | 13.1% of actual | Within 3.0% of actual |
| | Ranking of housing starts forecast accuracy among forecasters | 1 st among 17 (1 st quartile) | 12 th amongst 16 (3 rd quartile) |
| | Web analytics index (sentiment and reach) | Not applicable | Not applicable |

| Ultimate Outcomes |
|--|
| Canada has a stable, competitive and innovative housing system |

▼ ASSISTED HOUSING ACTIVITY

| Immediate Outcomes | Indicators | |
|--|---|---------|
| Provision of federal investments and other CMHC activities provide access to affordable, suitable and adequate housing both on and off reserve | 2014F | |
| | Households assisted | |
| | Pre-1993 social housing – off reserve | 524,100 |
| | On Reserve | 27,700 |
| | Renovation Programs (RRAP Rental, R.H., Conversion and SEP (New)) | 16,800 |
| | Total | 568,600 |
| | Units facilitated or created | |
| | CMHC Affordable Housing Centre | 3,060 |
| | Units committed | |
| | On-Reserve Renovation Programs | 1,102 |
| | On-Reserve Non-Profit Housing Program (Section 95) | 438 |
| | Total | 1,540 |
| | Investment in Affordable Housing | |
| 189,274 households were no longer in housing need as a result of the IAH from April 2011 to June 2014 | | |

| Longer-Term Outcomes | Indicators | | | | | | |
|--|---|------|-------------|-------------|-------------|-------------|-------------|
| The rate of housing need off-reserve and the rate of households living below standards on reserve stabilizes or begins to decrease | 2006 | | | | | | 2011 |
| | Incidence of core need based on the Census (2006) and National Household Survey (2011) (%) | 12.7 | | | | | 12.5 |
| | 2006 | | 2007 | 2008 | 2009 | 2010 | 2011 |
| | Incidence of urban core need based on the Survey of Labour and Income Dynamics (%) | 12.8 | 12.1 | 12.8 | 13.2 | 13.2 | 13.7 |
| | Note: Going forward incidence of urban core need households to be based on the Canadian Income Survey | | | | | | |
| | 2006 | | | | | | 2011 |
| | Incidence of households living in housing below standards on reserve based on the Census and National Household Survey (%) | | | | | | |
| | Below housing standards | 52.9 | | | | | 49.9 |
| | Not meet suitability standard | 11.0 | | | | | 10.4 |
| | Not meet adequacy | 30.1 | | | | | 28.9 |
| Below adequacy and suitability standard | 11.9 | | | | | 10.5 | |

Ultimate Outcomes

Canadians in need have access to affordable and suitable housing

MORTGAGE LOAN INSURANCE ACTIVITY

| Immediate Outcomes | Indicators |
|---|---|
| Lenders are protected from losses due to borrower default and are able to provide mortgage financing and provide it at competitive rates because of CMHC mortgage loan insurance. | Qualified borrowers can purchase a home with a down payment of less than 20.0% (minimum of 5%) and obtain interest rates comparable to those with a down payment of 20.0% or more. |
| Canadians across the country not served or underserved by private mortgage insurers can better access housing of their choice. | Measured directly by the number of insured loans in the large (greater than four units) rental housing market, including nursing and retirement homes, and in small and rural communities. In 2013 these markets represented 43.7% of CMHC's insured volumes excluding portfolio volumes. |

| Longer-Term Outcomes | Indicators | | | | | | |
|--|---|------|------|------|---|------|----|
| The provision of mortgage loan insurance for rental housing promotes affordable housing and supports tenure options. | <p>Measured through CMHC mortgage loan insurance for large rental units (exceeding four units), social housing units, and affordable housing flexibilities over the past ten years, as at 31 December 2013, CMHC has approved insurance for the following:</p> <ul style="list-style-type: none"> ▪ 963,068 rental apartment units ▪ 109,831 nursing and retirement homes ▪ 28,022 social housing units ▪ 30,033 Affordable Housing Underwriting Flexibilities (partially included in the above large rental and nursing and retirement units counts) <p>Based on the 2011 National Household Survey (NHS), average household shelter costs for rental tenure was \$848 compared to \$1,050 for owner-occupied dwellings.</p> | | | | | | |
| Canadians who choose homeownership can increase their financial security. | <table border="1"> <thead> <tr> <th></th> <th>2006</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td>Stable homeownership rates based on Census and National Household Survey (%)</td> <td>68.4</td> <td>69</td> </tr> </tbody> </table> | | 2006 | 2011 | Stable homeownership rates based on Census and National Household Survey (%) | 68.4 | 69 |
| | | 2006 | 2011 | | | | |
| Stable homeownership rates based on Census and National Household Survey (%) | 68.4 | 69 | | | | | |
| | Indirectly measured by the average equity that borrowers have in their homes. As at 31 March 2014, homes insured with CMHC's Transactional Homeowner and Portfolio insurance had, on average, equity of 46.0% based on outstanding loan amounts and updated property values. | | | | | | |



| Ultimate Outcomes |
|--|
| Canada has a stable, competitive and innovative housing system |

SECURITIZATION ACTIVITY

| Immediate Outcomes | Indicators | | |
|--|---|--------|--------------|
| Increased integration of mortgage market lending with capital market lending leads to greater efficiency for lenders | As at June 2014, the all-in cost of funds obtained by participants in the CMB Program was approximately 0.48% and 0.18% better than Deposit Notes and Covered Bonds respectively. | | |
| Enhanced competitive position of smaller lenders in the mortgage market | Securities guaranteed | | |
| | (in millions) | 2013 | 30 June 2014 |
| | Big Banks ¹ | 87,649 | 25,889 |
| | Other mortgage lenders | 34,993 | 20,995 |
| Canadians continue to be able to access financing for their homes | A broad range of lenders across Canada issue NHA MBS and CMB | | |
| | Securities Guaranteed During Period | | 30 June 2014 |
| | Total Guaranteed (\$M) | | 46,894 |
| | NHA Mortgage-Backed Securities (NHA MBS) | | 28,394 |
| | Canada Mortgage Bonds | | 18,500 |
| | NHA MBS (\$M) | | 28,394 |
| | Federally Regulated Institutions | | 20,188 |
| | Provincially Regulated Institutions | | 470 |
| | IIROC Regulated Institutions | | 2,694 |
| | Other Institutions | | 5,042 |
| | CMB (\$M) | | 18,500 |
| | Federally Regulated Institutions | | 11,091 |
| | Provincially Regulated Institutions | | 2,255 |
| IIROC Regulated Institutions | | 3,577 | |
| Other Institutions | | 1,576 | |

| Longer-Term Outcomes | Indicators | | | | | | |
|--|---|------|------------------------|-------------------|----------------------|-------|----|
| Financial institutions, in particular smaller lenders, have access to robust wholesale housing finance choices | Share of Outstanding Mortgage Credit by Funding Source (%) | | | | | | |
| | Big 6 Lenders | | Other Mortgage Lenders | | All Mortgage Lenders | | |
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | |
| | CMHC Securitization ² | 31 | 31 | 38 | 38 | 33 | 33 |
| | Covered Bonds | 7 | 8 | 1 | 1 | 6 | 6 |
| Other Funding Sources | 62 | 62 | 61 | 61 | 61 | 62 | |
| Covered bond issuances increase over time | (in billions - \$C equivalent) | | 2010 | 2011 ³ | 2012 | 2013 | |
| | Covered bond issuances | | 17.34 | 25.67 | 17.00 | 13.20 | |
| A stable and resilient Canadian housing finance system | Canada's housing finance system withstood one of the worst economic downturns in many years. Access to mortgage funding continued throughout the downturn as did competition in the mortgage market | | | | | | |

Ultimate Outcomes

Canada has a stable, competitive and innovative housing system

¹ BNS, BMO, CIBC, NBC, RBC, TD

² CMHC securitization by lender group is composed of market NHA MBS and notional CMB. Market NHA MBS includes retained NHA MBS that may not contribute to funding (e.g. used for liquidity purposes or used as collateral); thus this amount may be overstating somewhat the contribution of NHA MBS to mortgage funding. Notional CMB may underestimate the CMB funding used by the big 6 banks, and overestimate the CMB funding of small lenders; as the big 6 banks are swap counterparties for many small lenders, they may use the reinvestment room from the small lenders' CMB allocation to fund their own NHA MBS.

³ Prior to the introduction of the legislative framework under the NHA.

ANNEX D - GLOSSARY

Canada Housing Trust (CHT)

The CHT is a special purpose trust that acquires interests in eligible insured housing loans, such as NHA MBS, and issues CMBs. The CHT also purchases highly rated investments and undertakes certain related financial hedging activities. CMHC consolidates the accounts of CHT with Securitization. CHT's assets and liabilities are neither owned by nor held for the benefit of CMHC. The beneficiaries of the Trust, after payment of all obligations, are one or more charitable organizations.

Capital available to capital required

Under the Securitization Activity, this means the ratio (expressed as a percentage) of capital available to capital required where capital available is calculated as Total Equity adjusted for Assets with a Capital Requirement of 100% and capital required is calculated by applying risk factors to investment asset and liability exposures using a framework developed in accordance with both regulatory and economic capital principals.

Capital available to minimum capital required

Under the Mortgage Loan Insurance Activity, this means the ratio (expressed as a percentage) of capital available to minimum capital required where capital available is calculated as Total Equity adjusted for Assets with a Capital Requirement of 100% and minimum capital required is calculated by applying risk factors to investment asset and liability exposures in accordance with guidelines established by OSFI.

Consensus Forecast

The Consensus Forecast is published monthly by Consensus Economics and is an average of the forecasts provided by 17 major financial and economic institutions. It includes variables such as real GDP, employment, unemployment rate and interest rates.

Corporate Operating Expense Ratio

The ratio (expressed as a percentage) of Operating Budget Expenses for all of CMHC's activities (excluding CHT) during the period to Premiums, Fees, Guarantee, and Application Fees received, Net Interest Income from lending programs and normalized Parliamentary appropriations.

Guarantees-in-Force (GIF)

The total guarantees related to the timely payment of principal and interest of NHA MBS for investors in securities issued by Approved Issuers on the basis of housing loans through the NHA MBS program and the CMB issued by the CHT.

Housing Programs

All activities funded by Parliamentary appropriations under Assisted Housing and Market Analysis and Research.

Housing Support

Contractual commitments for housing and municipal infrastructure that help to reduce affordability problems for low and moderate-income households, to provide accommodation for students and to provide production of moderately priced rental housing. The program also provides ancillary services to support Canada Mortgage and Housing Corporation's mandate. This includes the Affordable Housing Centre, the Housing Related Infrastructure Loans to Municipalities and Other Long Term Commitments such as the Market Housing Programs and the Community Services Program.

Insurance-in-Force (IIF)

The total amount of outstanding loan balances covered by mortgage loan insurance policies at a specific period in time.

Insured Mortgage Purchase Program (IMPP)

A program established by the Government of Canada which authorized CMHC to purchase up to \$125 billion in NHA MBS from Canadian financial institutions between October 2008 and March 2010 as a temporary measure to maintain the availability of longer-term credit in Canada. A total of \$69.3 billion in NHA MBS was purchased by CMHC through a competitive auction process.

Investment in Affordable Housing 2011-2019 (IAH)

The new IAH was announced on 4 July 2011. The IAH provided for \$1.4 billion over 3 years (2011-2014) in combined federal/ provincial/ territorial funding towards reducing the number of Canadians in housing need. This became the basis for bilateral IAH agreements between CMHC, on behalf of the Government of Canada, and provinces and territories. Where provinces and territories chose not to enter into an IAH arrangement, federal funding for housing was provided through extensions of existing arrangements with respect to AHL and/or renovation programs. Economic Action Plan 2013 announced the Government of Canada's continued commitment to working with provinces and territories to develop and implement solutions to housing by investing more than \$1.25 billion over five years to renew the IAH from 2014 to 2019.

Lending Programs

CMHC makes loans under the NHA to federally-subsidized social housing sponsors, First Nations, provinces, territories and municipalities as well as non-subsidized housing support loans. CMHC's loan portfolio is comprised of a mix of renewable and non-renewable loans which may be on or off reserve. Direct Lending is the current borrowing initiative used by CMHC to refinance its renewable loans as well as to finance new commitments on reserve. These loans can be financed at lower interest rates due to CMHC's status as a federal Crown corporation. As such, CMHC is able to lower the cost of Government assistance required for social housing projects. Direct Lending is operated on a planned breakeven basis.

Loss ratio

The ratio (expressed as a percentage) of the Insurance Claims losses incurred during the period to the Premiums and Fees Earned in the period in the Mortgage Loan Insurance Activity.

Minimum Capital Test (MCT)

The minimum capital required calculated by applying risk factors to the Mortgage Loan Insurance Activity's assets and liabilities using a defined methodology prescribed by OSFI.

Municipal Infrastructure Lending Program 2009-2011 (MILP)

Under Canada's Economic Action Plan (Budget 2009), CMHC provided \$2 billion in direct low-cost loans to municipalities over a two-year period ending March 31, 2011 to fund housing-related municipal infrastructure.

Operating Expense Ratio

Mortgage Loan Insurance Activity: the ratio (expressed as a percentage) of Operating Expenses during the period to Premiums and Fees Earned during the period for the Mortgage Loan Insurance Activity.

Securitization Activity: the ratio (expressed as a percentage) of Operating Expenses during the period, exclusive of those related to the administration of the covered bond legal framework, to Guarantee Fees Earned during the period.

Proposal Development Funding (PDF)

An interest-free loan of up to \$100,000 to support activities carried out during the early stages of developing an affordable housing project. PDF is available for projects that are expected to be developed without long-term Government of Canada subsidies. Eligible costs include soil load-bearing tests, environmental site assessments, project drawings and specifications, development permits and certain professional and consulting fees. The loan is repayable upon the first advance of mortgage funding and a portion of the loan may be forgiven if it meets criteria for affordable housing as defined by CMHC.

Return on Capital Holding Target (RoCHT)

Reflects annualized Net Income, adjusted to reflect earnings based on 220% MCT, divided by the weighted average Capital Holding Target for the period.

Return on Equity

The annualized Net Income divided by the average of the beginning and ending Equity for the period, used to highlight the operating performance.

Seed Funding

Seed Funding consists of a contribution and a loan, totalling a maximum of \$20,000 to support activities carried out in the early stages of developing affordable housing project proposals. Eligible expenses include costs for housing market studies, need and demand analyses, the preparation of business plans, preliminary financial viability analyses, preliminary project designs, as well as the costs to incorporate an entity. The loan portion of Seed Funding is repayable upon the first advance of mortgage funding.

Severity Ratio

The ratio (expressed as a percentage) of Insurance Claims Losses to the original insured loan amount for the claims paid in the period.

SUMMARY OF THE CORPORATE PLAN 2015 - 2019

Canada Mortgage and Housing Corporation has been Canada's authority on housing for more than 65 years.

CMHC helps Canadians meet their housing needs. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer objective housing research and advice to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

Canada Mortgage and Housing Corporation offers a wide range of housing-related information. For more information, visit the Corporation's website at www.cmhc.ca or call 1-800-668-2642.

